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**BERKELEY RENT CONTROL 1988:
HISTORICALLY LOW RENTS
AND
TENANT AND HOUSING PROFILE**

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December 15, 1988



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**Berkeley Rent Control 1988:
Historically Low Rents
and
Tenant and Housing Profile**

**Prepared for:
Berkeley Rent Stabilization Board**

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December 15, 1988

EXECUTIVE SUMMARY

Introduction

In May 1988, the Berkeley Rent Stabilization Board retained Bay Area Economics (BAE) to analyze the issue of "historically low rents" in Berkeley, and estimate the actual number of units with these rents. The study also developed a profile of tenants living in rent-controlled units in Berkeley, the character of their housing, and the rents they pay.

The number of units with "historically low rents" was derived by formulating two quantitative, objective definitions of historically low rent and then identifying those units with rents below the threshold rents associated with the two definitions. While no single threshold can be expected to establish a "standard," these units are more likely to face adverse economic consequences as a result of historically low rents.

The tenant profile was constructed based on the results of a survey. The survey was conducted by mailing a questionnaire to 2,000 households randomly selected from the approximately 20,000 units in the Rent Board's Certified Rents Database.

Prior to undertaking an analysis of the rent-controlled housing stock, the city was divided into five submarket areas in order to assess the impact of location on rents. Submarket Area 1 primarily consists of the North Berkeley hills, but also includes Census Tract 4238 in southeast Berkeley. Central Berkeley north of Dwight Way constitutes Submarket Area 2. Submarket Area 3 includes the neighborhoods surrounding the University. Submarket Area 4 constitutes what is generally thought of as West Berkeley. Submarket Area 5 includes the areas typically designated as South Berkeley.

Rent-Controlled Housing Stock

Characteristics of the entire rent-controlled housing stock in Berkeley are important because they create a context within which to view the characteristics of the historically low rent housing stock.

- * There are approximately 20,000 rent-controlled units, 95 percent of which are apartments. Almost half of all units are located in Submarket Area 3, the area around the University. Submarket Area 4, which includes West Berkeley, has the lowest number of total rental units. The next lowest number of rental units is in Submarket Area 1. Submarket Areas 2 and 5 each contain about the same number of units and each accounts for slightly less than one-fifth of the total rent-controlled stock.

- * There are significant differences in the mix of houses and apartments within each submarket area. Submarket Area 1 has the highest percentage of single family units and Submarket Area 3 has the lowest.
- * Of the apartment units analyzed, almost one-half are one-bedroom units, with two-bedroom units constituting one-third of the total. The mix of apartment unit sizes is similar in all submarket areas, except for Submarket Area 3, where there are more studios and fewer two- and three-bedroom units proportionately than in the other areas.
- * For currently registered units, the citywide mean rent in 1980 was \$259 (in 1980 dollars). No significant cluster of units at the lower end of the rent distribution could easily be defined as the historically low rent group of units.
- * Submarket Areas 4 and 5, West and South Berkeley, generally had the lowest rents, with Submarket Areas 2 and 3 following in increasing order. Submarket Area 1 (primarily North Berkeley) had the highest mean rents.

Historically Low Rents

The concept of historically low rents is based on the premise that, in 1980, when the Rent Stabilization Ordinance was enacted and all future rents were pegged to the 1980 rent, certain units had rents in place which were below prevailing market rates for comparable units. These below-market rents were frozen in place by the Ordinance, and have only been allowed to increase through the Annual General Adjustment process (AGA), which is applied evenly to all units, and the Individual Rent Adjustment process (IRA).

Two methods were devised to define historically low rents in an objective and quantitative manner. One method utilizes statistical analysis of the Certified Rents database while the other method considers the financial condition of the units.

- * Method 1: Lowest Five Percent of the Rental Stock- This method identifies, by unit type, the units with the lowest five percent of rents within each submarket area, and also identifies the lowest rents citywide for the same unit types.
- * Method 2: Break-Even Rents - This methodology was developed to measure the minimal rent necessary to maintain a rental unit. Any rent falling below the break-even rent amount was considered potentially historically low.

The potential incidence of historically low rent units in the city is substantial but not overwhelming.

- * On a citywide level, use of the break-even rent thresholds identified a minimum of 1,950 apartment units, or approximately 10 percent of the total rent-controlled housing stock, as having historically low rents. Submarket Area 5, South Berkeley, had the highest absolute number of units below the citywide break-even threshold, with 714 units, followed by Submarket Areas 2, 3, 4, and 1.
- * Submarket areas varied substantially in the percentage of historically low rent units as defined by the break-even method. Submarket Area 4 has almost 30 percent of its units below the threshold, Submarket Area 5 has just over 20 percent of its units below, Submarket Area 2 has about 14 percent below, and Submarket Areas 1 and 3 have approximately 5 percent below.
- * Examination of the distribution of buildings by percentage of historically low rent units in the building shows wide variation among submarket areas. In both Submarket Areas 1 and 3 over half of the buildings containing at least one low-rent unit have less than 50 percent of their total units below the threshold rent. In Submarket Areas 2, 4, and 5, over two-thirds of such buildings have a majority of units with potentially historically low rent units.
- * The lowest five percent method identified a minimum of 691 historically low rent units in the City.

In order to examine the impact of historically low rents on economic performance at the level of specific buildings, five case studies of buildings with historically low rent units were undertaken.

- * While the five case studies identified potentially important factors, the number of buildings analyzed is small, and extrapolation to all historically low rents units in Berkeley will require further study.
- * The units covered by rent control in the case study buildings all had historically low rents ranging from 46 to 68 percent of the average 1980 rent for similar units (after adjusting for number of bedrooms and location by submarket area).

The case study building owners relied heavily on their own labor to maintain buildings and the buildings were all in fair to poor condition.

- * The amount of owner labor used for routine maintenance affected both the rate of return and the level of maintenance.

- * All owners reported deferring maintenance activities, especially exterior painting and weatherization, interior painting, and replacement of interior fixtures. At worst, this deferred maintenance represents a threat to the future habitability of the buildings. At best, deferred maintenance implies higher rehabilitation and capital improvement costs for future owners.

The financial viability of the case study buildings varied widely despite the presence of historically low rent units.

- * All five buildings had positive net operating income (excluding debt service payments) even though rates of return to the owners varied. On a before tax basis (after debt service), two of the five buildings evidenced negative cash flows.
- * Long term owners generally experienced rates of return from operations in the same range as return expected from alternative forms of investment (although one long term owner did experience returns that were below alternative investments).
- * Owners who had purchased their buildings since 1980 experienced rates of return from operations below those expected from comparable investments. The inability of buildings to generate sufficient income to pay for debt serves as a disincentive to invest in Berkeley rental property. Moreover, this economic situation encourages the deferment of maintenance activities vital to the preservation of the quality of Berkeley's rental housing stock.
- * When accounting for returns generated by property appreciation, three of the five buildings appeared to return sufficient amounts, comparable to similar investments.
- * However, when these returns are adjusted for inflation, three out of the five buildings were estimated to have lower current values than their original purchase price.
- * Long term owners were generally elderly and their buildings are likely to be sold during the coming years. New buyers are likely to face an economic situation similar to those buyers who purchased their buildings since 1980 - an inability to generate sufficient income to pay debt and concurrently maintain the units.
- * Buildings with three or fewer units have sales prices that exceed levels that would be expected based solely on the rents for these properties. These high prices indicate a price premium associated with buildings that could become owner occupied. Such price premiums further exacerbate the problem of operating a financially viable building.

Case study building owners who had used the individual rent adjustment process still were not able to resolve their financial problems created by low rents combined with the need for major capital improvements. Owners cited procedural difficulties and a lack of clear standards and guidelines to be used in evaluating the merits of their petitions.

The sample of responses from tenants in historically low rent units was small and extrapolation to all historically low rent units requires further study. However, preliminary investigation of the sample revealed that these tenants were generally low income minorities, and were somewhat older than tenants in the rent-controlled population as a whole.

- * About 34 percent of the households in historically low rent units earned less than \$10,000 in 1987.
- * Almost 50 percent of the historically low rent respondents were Black, as opposed to 11 percent for respondents in all rent-controlled units.
- * Only 3 percent of the respondents living in historically low rent units were in the 18-24 age range while almost one-third of these respondents were over 55 years of age.

Households in historically low rent units studied had rent burdens that were lower than those for similar households in units without historically low rents.

- * Almost 60 percent of the households in historically low rent units had rent burdens below 20 percent.
- * In contrast, only 40 percent of households living in units without historically low rents had rent burdens below 20 percent.

Tenants in Rent Controlled Housing

Tenant households in rent-controlled units in Berkeley tended to be small, relatively young, ethnically diverse, and of moderate incomes.

- * Half of all tenant households were single people living alone.
- * Households with children constitute 15 percent of the total. Single parent households accounted for over one-third of the households with children, and five out of six of these households were headed by females.

- * Two-thirds of all tenants were White, one-fifth were Asian, 13 percent were Black, and 4 percent were Hispanic.
- * The largest group of tenants fell into the 25-34 year old age group, which accounts for almost one-third of the people living in rent controlled units.
- * About 5 percent of the tenants were 65 years of age or older.
- * Average reported household income in 1987 was about \$21,000.
- * About 45 percent of the households reported incomes of less than \$15,000. Ten percent reported incomes of \$40,000 or more.

The Survey showed that most rent-controlled units in Berkeley are apartments with two bedrooms or less. Citywide almost two-thirds of these units are in buildings containing five or more units. The average number of persons per room was 0.65, indicating that there is not a widespread problem of overcrowding in rent-controlled units.

The average contract rent in rent-controlled units was \$402 and the average gross rent was \$436.

- * There was considerable variation in average gross rents between submarket areas. Average gross rents ranged from \$492 in Submarket Area 1 to \$356 in Submarket Area 4.
- * The variation in rents among submarket areas seems due to location rather than unit size.

Households living in rent-controlled units tended to have relatively low rent burdens.

- * Citywide almost two-thirds of the households paid less than 30 percent of their gross income for rent. However, over one-third of the households paid 30 percent or more.
- * In general, there was a strong inverse relationship between household income and rent burden. Households with very low incomes tended to have higher rent burdens than households with high incomes.

The vast majority of tenants perceived their building's physical condition as moderate, but maintenance problems were common.

- * Over 80 percent of survey respondents reported that there were maintenance problems in their buildings.
- * While most people thought that the condition of their building had stayed the same since they had moved in, longer-term respondents were more likely to perceive a deterioration in building condition than shorter-term respondents. Over one-third of the respondents who had lived in their unit more than ten years perceived a deterioration in the condition of their building.
- * Tenant perception of building quality did not necessarily relate to the amount of rent paid.

The survey results show that Berkeley tenants move relatively frequently, indicating that mobility still exists under rent control.

- * Almost one-third of the respondents had moved into their current unit since June of 1987.
- * Black respondents tended to have lived in their current unit longer than White respondents, and White respondents tended to have lived in their current unit longer than Asian respondents.
- * About half of the respondents had moved to their current unit from somewhere else in Berkeley.
- * The primary method of finding a unit was through informal means, including knowing the former tenant, knowing the landlord, or word of mouth.

Tenants in rent-controlled units generally report that they have good relationships with their landlords. Not surprisingly, the most common cause of friction between tenants and landlords was building maintenance issues.

When asked about their perceptions of the effectiveness of the Rent Control Ordinance in meeting its major objectives, tenants were overwhelmingly positive in their response. This support appears to be consistent across submarket areas, ethnic and income groups, and household types.

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I. INTRODUCTION

In May 1988, the Berkeley Rent Stabilization Board retained Bay Area Economics (BAE) to conduct a two part study. The first part of this study was concerned with both defining the issue of "historically low rents" in Berkeley and estimating the actual number of units with these rents. Historically low rents are rents that were below market rate in 1980, and have remained historically low, since Berkeley's Rent Stabilization Ordinance ties all rent increases to the 1980 base (except for those units which have received an individual rent adjustment). The second part of this study was designed to develop a detailed profile of tenants living in rent-controlled units in Berkeley, the character of their housing, and the rents they pay.

While there has been much discussion of the historically low rent issue in recent years, there has been no assessment of the nature and extent of this problem using an objective and quantifiable definition of historically low rent. Nor have any data been collected to indicate what types of problems these rents might create for the long term viability of the housing stock. Thus, BAE formulated several alternative definitions of historically low rent. Once a definition was selected, the number of units meeting this basic description was calculated to determine the potential extent of the issue. In addition, in-depth case studies of five buildings with historically low rents were conducted to ascertain the impact of low rents upon each building's economic performance. An analysis of tenants in historically low rent units was also undertaken to calculate the impact of potential rent increases on these households. Such increases have been frequently discussed as one possible way to remedy the historically low rent situation.

Although rent control has been in effect for over eight years, the Rent Board lacks statistically reliable information about the quality and condition of the rent-controlled housing stock, as well as demographic information about the tenants living in these units. BAE undertook a mail survey of these tenants to provide this information. The survey was also designed to enable comparison with 1980 Census data and earlier surveys in order to assess changes in unit condition and demographic characteristics since the enactment of rent control. More importantly, the survey results provide a statistically reliable baseline for comparison with future surveys to form an ongoing means for evaluating the effectiveness of Berkeley's Rent Stabilization and Eviction For Good Cause Ordinance. Considerable attention was given to developing a comprehensive survey instrument and a sound sampling frame so that these could both be easily replicated on a regular basis.

The survey was conducted by mailing a questionnaire to 2,000 households randomly selected from the approximately 20,000 units in the Rent Board's Certified Rents Database. This database represents only those units within Berkeley that are subject to the Rent Stabilization Ordinance and have been legally registered with the Rent Stabilization Board. The database, and therefore the tenant survey sample, does not include units exempt from rent control or units which should be covered by rent control but have not been registered. Units exempt from rent control include units

where the tenant receives a HUD Section 8 rent subsidy, other publicly assisted housing, student cooperatives, the second unit in a duplex where the first unit was owner-occupied in 1979 and is still owner-occupied, and units constructed since 1980.

Both the historically low rents analysis and the tenants survey examine conditions only in Berkeley. No attempt has been made to compare the data from this work with similar data from other locations. In addition, the data presented in this study have only a limited ability to show trends or changes in conditions over time. In fact, these data are most useful as snapshots of current conditions in Berkeley. Although comparisons with comparable data from other locations and a more detailed time series analysis of conditions within the City would offer additional insights to the policy making process, such research is not possible with the resources allocated to this study.

While the two parts of this work each have a different focus, their underlying purpose is essentially the same. Both seek to provide detailed, accurate, and descriptive information about tenants, units, and rents in Berkeley's rent-controlled housing stock. Although there are many conclusions regarding Rent Board policy that can be drawn from this work, this is not a policy document. No attempt has been made to use these results to systematically evaluate the Rent Stabilization and Eviction for Good Cause Ordinance or the operating regulations used to implement it. Moreover, no recommendations are made regarding the findings. Instead, this study seeks to present objective, factual information which will serve as the basis for future policy discussions.

The results presented below are the culmination of six month's work. This work was conducted with assistance from the Rent Stabilization Board staff and input from the Rent Stabilization Board Commissioners. A series of interim memos were presented to the Commissioners at critical points in the study process to facilitate selection of historically low rent definitions, and to brief the Commissioners on BAE's initial findings for both parts of the study.

This report is divided into two major sections which parallel the two halves of the study. The first section presents an overview of the rent-controlled housing stock. It then describes the methodologies used to define historically low rents, discusses the number, type, and geographic distribution of the units fitting these definitions, comparing these unit characteristics to the characteristics of the entire stock. It concludes with the results of a case study of buildings meeting historically low rent criteria, exploring financial and operational aspects of the properties, and the characteristics of tenants in the buildings.

The second section summarizes the findings of the tenants survey. More detailed technical and methodological information pertaining to the survey is included in the Appendices. Tables regarding responses and crosstabulations not discussed in the text are also included in the Appendices.

Following the second section of the report is a brief glossary of terms used in this report.

II. HISTORICALLY LOW RENTS IN BERKELEY

While the ultimate purpose of this section is to present some estimate of the extent of the historically low rents issue in Berkeley, there are several other steps that must be taken before this matter can be addressed. First, it is important to develop a context for the discussion of historically low rent units, and the buildings containing these units, by developing a description of all rent-controlled units and buildings. This description allows assessment of the extent to which units with historically low rents vary from the overall rent-controlled housing stock in terms of rents, unit size, location, and building size. The second important step is to define historically low rent in an objective and quantifiable manner. The definition of historically low rent is a prerequisite to determining the extent of this phenomenon.

In reviewing the results presented below, it is important to note that all of the analyses pertaining to rental rates, except for those prepared in conjunction with the five historically low rent case studies, are based on reported 1980 rents for those units included in the current (May, 1988) Rent Stabilization Board's Certified Rents Database. Although the database generally includes rents for all years since 1980, the 1980 information is considered the most reliable. This is an acceptable approach since it can be assumed that if a unit had a below market rent in 1980, and it has not had an individual rent adjustment since 1980, it will have a potentially historically low rent at the time of this study.

THE CERTIFIED RENTS DATABASE

The following section analyzes the Certified Rents Database, which includes units currently registered as rent-controlled with the Rent Stabilization Board. This database includes information on the type of unit (house or apartment), the number of bedrooms per unit, the legal maximum rent for each year since 1980, any additional charges not in rent for items such as utilities, parking, and furniture, the existence of granted individual rent adjustments, and other information pertinent to registration of the unit.

For purposes of this discussion, contract rent (the rent amount stated in the rental agreement) has been analyzed. Since contract rents are not always totally comparable (some include utilities and amenities and others do not), gross rents, which include all charges paid for shelter, are more often used in studies of this type for comparative purposes. The certified rents database, however, does not have usable information regarding payment for utilities and amenities, so gross rent could not be computed for rent-controlled units in Berkeley. Thus, contract rents provide the only suitable basis for the following analysis.

Each Database entry also includes an address and the Alameda County Tax Assessor's property account number; from these data the units were sorted into Census tracts and submarket areas. Information regarding general characteristics of the rent-controlled housing stock on both a citywide and submarket area basis was then compiled, including the distribution of unit types (houses versus apartments) as classified by number of bedrooms, size of building, and rent levels. The purpose of compiling this information was to provide a comparison with the entire rent-controlled housing stock in Berkeley for both the historically low rent analysis and the tenants survey.

Definition of Submarket Areas. Prior to undertaking an analysis of the rent-controlled housing stock, the city was divided into submarket areas in order to assess the impact of location on rents. Groups of Census tracts were used to define five submarket areas to allow for comparability with Census data from 1970 and 1980. With one exception, these submarket areas comprise contiguous Census tracts with similar 1980 median rents and demographic characteristics. The exception, a Census tract in southeast Berkeley, was combined with the North Berkeley submarket area due to its similarities with that submarket rather than surrounding Census tracts. The submarket areas were also utilized for the historically low rent and the tenants survey analyses.

As shown in Figure 1, Submarket Area 1 primarily consists of the North Berkeley hills, but also includes Census Tract 4238 in southeast Berkeley. Central Berkeley north of Dwight Way constitutes Submarket Area 2. Submarket Area 3 includes the neighborhoods surrounding the University. Submarket Area 4 constitutes what is generally thought of as West Berkeley. Submarket Area 5 includes the areas typically designated as South Berkeley.

Characteristics of Rent-Controlled Housing Units in Berkeley. The distribution of rent-controlled housing units by unit type (house or apartment) and submarket area is shown in Table 1. There are approximately 20,000 rent-controlled units, 95 percent of which are apartments. "House" and "apartment" are the two unit type categories used by the database. Houses are presumed to be detached, single-family residences; all other units are classified as apartments.

Almost half of all units are located in Submarket Area 3, the area around the University. Submarket Area 4, which includes West Berkeley, has the lowest number of total rental units, consistent with its commercial/industrial land-use pattern. The next lowest count is in Submarket Area 1. Submarket Areas 2 and 5 each contain about the same number of units and each accounts for slightly less than one-fifth of the total rent-controlled stock.

There are significant differences in the mix of houses and apartments within each submarket area. Submarket Area 1 has the highest percentage of single family units and Submarket Area 3 has the lowest.

Table 2 shows the distribution of registered units by building size as measured by number of units per building. Almost 85 percent of the units in Submarket Area 3 are in larger buildings (five or

FIGURE 1: SUBMARKET AREA MAP

Berkeley Historically Low Rent Study

Source: Bay Area Economics

Submarket Area Boundary //

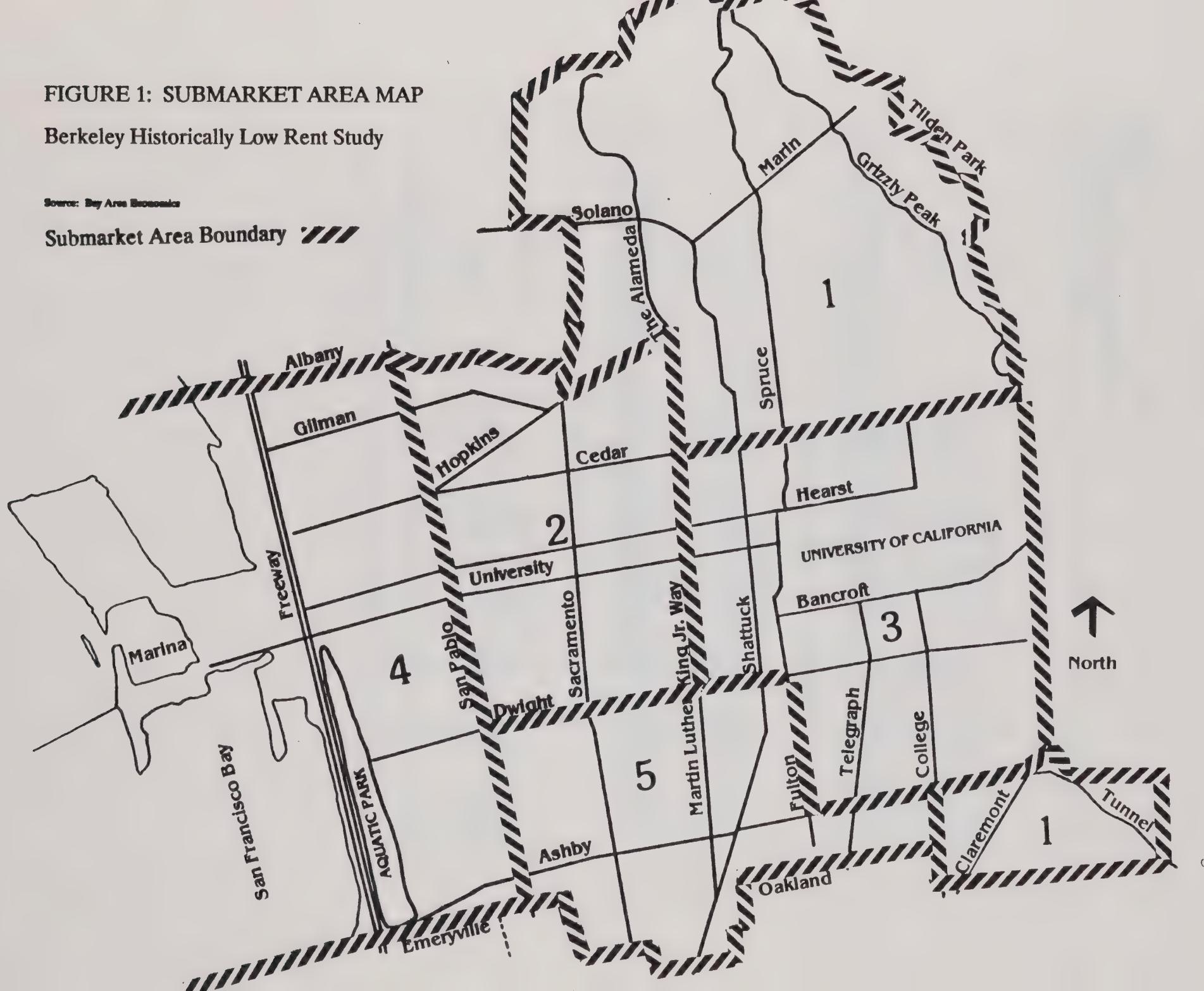


Table 1

Distribution of Units by Unit Type

Certified Rents Database

Unit Type	Number of Units					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
House	254	327	139	81	245	1,046
Apartment	1,661	3,599	9,737	790	3,310	19,097
Total Units by Area	1,915	3,926	9,876	871	3,555	20,143

Unit Type	Distribution of Unit Types Within Areas					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
House	13.3%	8.3%	1.4%	9.3%	6.9%	5.2%
Apartment	86.7%	91.7%	98.6%	90.7%	93.1%	94.8%
Percent Total by Area	100%	100%	100%	100%	100%	100%

Unit Type	Distribution of Unit Types Between Areas					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
House	24.3%	31.3%	13.3%	7.7%	23.4%	100.0%
Apartment	8.7%	18.8%	51.0%	4.1%	17.3%	100.0%
Percent of Total Citywide	9.5%	19.5%	49.0%	4.3%	17.6%	100.0%

Source: Rent Stabilization Board Certified Rents Database & Bay Area Economics, 1988

Table 2

Distribution of Units by Building Size *

Certified Rents Database

Number of units in building	Number of Units					Citywide	
	Submarket Area						
	One	Two	Three	Four	Five		
1	279	325	165	91	263	1,123	
2	199	512	320	145	386	1,562	
3 to 4	389	1,039	1,093	328	1,095	3,944	
5 to 9	537	816	1,789	220	1,171	4,533	
10 to 24	375	809	3,477	75	513	5,249	
25 to 49	86	340	2,058	0	77	2,561	
50 and up	0	26	942	0	24	992	
Total by Area **	1,865	3,867	9,844	859	3,529	19,964	

Number of units in building	Percentage of Units					Citywide	
	Submarket Area						
	One	Two	Three	Four	Five		
1	15.0%	8.4%	1.7%	10.6%	7.5%	5.6%	
2	10.7%	13.2%	3.3%	16.9%	10.9%	7.8%	
3 to 4	20.9%	26.9%	11.1%	38.2%	31.0%	19.8%	
5 to 9	28.8%	21.1%	18.2%	25.6%	33.2%	22.7%	
10 to 24	20.1%	20.9%	35.3%	8.7%	14.5%	26.3%	
25 to 49	4.6%	8.8%	20.9%	0.0%	2.2%	12.8%	
50 and up	0.0%	0.7%	9.6%	0.0%	0.7%	5.0%	
% Total by Area	100%	100%	100%	100%	100%	100%	

* Many buildings contain exempt units; total units in a given category may not divide evenly by building size.

** Totals may not match other tables due to missing data regarding building size.

Source: Rent Stabilization Board Certified Rents Database & Bay Area Economics, 1988

more units). Only about 35 percent of the units in Submarket Area 4 are in these larger buildings, reflecting a much smaller percentage than any other area. The distribution of units in small buildings (two to four units) shows the opposite geographic pattern, with the lowest proportion (14.4 percent) in Submarket Area 3, and the highest (55 percent) in Submarket Area 4.

The most noteworthy variations from this pattern by submarket area are as follows: Submarket Area 1 has a higher proportion of units in single-unit buildings (usually houses), Submarket Area 3 has a higher proportion of units in large buildings, and in Submarket Area 4, over half the units are in small buildings. Citywide, over two-thirds of the units are in large buildings (five or more units), with about one-fourth in small buildings (two to four units), and less than six percent in one-unit structures. While the majority of buildings containing rental units citywide are of small size, the majority of units are in larger buildings.

Since houses represent such a small portion of the rent-controlled housing stock, and since the variation among these houses is so great in terms of size, amenities, and rent, further analysis of the rent-controlled housing stock has been restricted to apartments only. The total number of houses in each submarket area is too small to be useful for any detailed statistical analysis and comparison.

Table 3 shows the distribution of apartments by size, as defined by the number of bedrooms. Of the units analyzed, almost one-half are one-bedroom units, with two-bedroom units comprising one-third of the total. The mix of apartment types is similar in all submarket areas, except for Submarket Area 3, where there are more studios and fewer two- and three-bedroom units proportionately than in the other areas. It is important to note that the database is missing the data on number of bedrooms for a large number of units; these units are listed as not classified in Table 3. Examination of rents for these units and comparisons of this distribution with that of the survey (see Table 36, Section III) and the 1980 Census (see Appendices) indicate that a large share of units missing on the number of bedrooms are probably studio apartments.

Distribution of 1980 Certified Rents. Table 4 shows the mean certified rents in 1980 for all rent-controlled apartments by size and submarket area. As explained in the Introduction, 1980 rents were used for this analysis because rent information in the database was most reliable for that year. Mean rather than median rents were used to provide comparability with 1980 Census data.

Figure 2 shows the distribution of 1980 certified rents for all rent-controlled apartment units in Berkeley. The citywide mean rent (in 1980 dollars) is \$259. As indicated in Figure 2, no significant cluster of units at the lower end of the curve that could easily be defined as the historically low rent group of units is present. Further analysis of these patterns by unit size and submarket area shows little divergence from this distribution, except for units of four or more bedrooms, which represent a very small percentage of the total stock (see Appendices).

Table 3
Distribution of Apartments by Number of Bedrooms

Number of Bedrooms	Number of Units					Citywide	
	Submarket Area						
	One	Two	Three	Four	Five		
0 (Studio)	115	146	1,117	31	192	1,601	
1	621	1,490	3,922	316	1,261	7,610	
2	514	1,109	2,200	277	1,102	5,202	
3	123	157	306	37	177	800	
4	34	19	57	1	28	139	
5 or more	12	8	32	2	12	66	
Unclassified	242	670	2,103	126	538	3,679	
Total Apartments by Area	1,661	3,599	9,737	790	3,310	19,097	

Number of Bedrooms	Distribution of Unit Types Within Areas					Citywide	
	Submarket Area						
	One	Two	Three	Four	Five		
0 (Studio)	6.9%	4.1%	11.5%	3.9%	5.8%	8.4%	
1	37.4%	41.4%	40.3%	40.0%	38.1%	39.8%	
2	30.9%	30.8%	22.6%	35.1%	33.3%	27.2%	
3	7.4%	4.4%	3.1%	4.7%	5.3%	4.2%	
4	2.0%	0.5%	0.6%	0.1%	0.8%	0.7%	
5 or more	0.7%	0.2%	0.3%	0.3%	0.4%	0.3%	
Unclassified	14.6%	18.6%	21.6%	15.9%	16.3%	19.3%	
% Total Apartments by Area	100%	100%	100%	100%	100%	100%	

Number of Bedrooms	Distribution of Unit Types Between Areas					
	Submarket Area					Total by Bedrooms
	1	2	3	4	5	
0 (Studio)	7.2%	9.1%	69.8%	1.9%	12.0%	100.0%
1	8.2%	19.6%	51.5%	4.2%	16.6%	100.0%
2	9.9%	21.3%	42.3%	5.3%	21.2%	100.0%
3	15.4%	19.6%	38.3%	4.6%	22.1%	100.0%
4	24.5%	13.7%	41.0%	0.7%	20.1%	100.0%
5 or more	18.2%	12.1%	48.5%	3.0%	18.2%	100.0%
Unclassified	6.6%	18.2%	57.2%	3.4%	14.6%	100.0%
Percent of All Apt. Units by Area	8.7%	18.8%	51.0%	4.1%	17.3%	100.0%

Note: Includes apartment units with no 1980 certified rent data available.

Source: Rent Stabilization Board Certified Rents Database & Bay Area Economics, 1988

Table 4

Mean 1980 Certified Rent by Number of Bedrooms

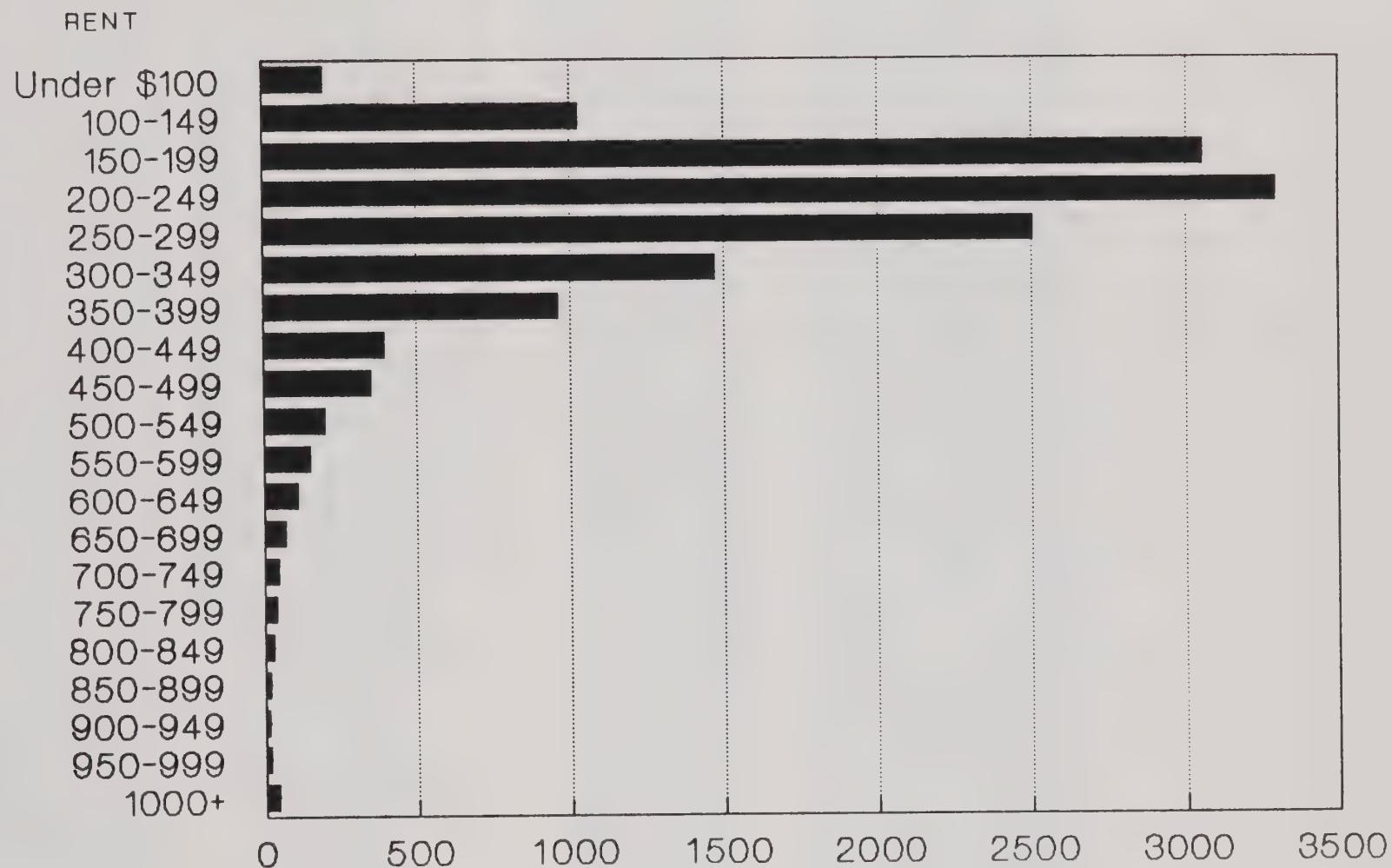
Apartments Only

Number of Bedrooms	Mean Rent					Citywide	
	Submarket Area						
	One	Two	Three	Four	Five		
0 (Studio)	\$194	\$175	\$187	\$163	\$149	\$182	
1	\$248	\$211	\$243	\$179	\$201	\$228	
2	\$344	\$287	\$342	\$244	\$257	\$307	
3	\$521	\$408	\$451	\$350	\$388	\$435	
4	\$733	\$458	\$634	\$124	\$500	\$600	
5 or more	\$816	\$766	\$834	\$425	\$565	\$766	
Unclassified	\$264	\$220	\$226	\$197	\$221	\$226	
Area Mean Rent, All Apartments	\$312	\$247	\$266	\$214	\$234	\$259	
Number of apartments	1,429	3,132	8,864	715	2,965	17,105	

Note: Counts of number of units do not match other tables due to exclusion of units
with no data for 1980 rent.

Source: Rent Stabilization Board Certified Rents Database & Bay Area Economics, 1988

**Figure 2: Distribution of
1980 Certified Apartment Rents**



Sources:
Berkeley Rent Stabilization Board,
Bay Area Economics

Submarket Areas 4 and 5, West and South Berkeley, generally had the lowest rents, with Submarket Areas 2 and 3 following in increasing order. Submarket Area 1 (primarily North Berkeley) had the highest mean rents. As the number of bedrooms increased, the variation in mean rents among submarket areas increased; while the studio and one bedroom unit mean rents by submarket varied within a range of approximately \$50, the variation increased to \$100 for two bedroom units, and was larger still for units of three or more bedrooms. This divergence in mean rents as unit size increases is probably due, in part, to the wider range of unit types and amenities available for larger units. The larger units may include luxury apartments and other units which more closely resemble houses. In fact, in some of the submarkets, the presence of these large units with extremely high rents raised the overall submarket area mean rent by a considerable amount.

Summary of Certified Rents Database. The Certified Rent Database shows approximately 20,000 rent-controlled units in Berkeley, primarily classified as apartments. Most of the buildings containing rent-controlled units are small, but the largest proportion of units are found in larger buildings. In 1980, the mean rent for all rent-controlled units included in the database was \$259; the rents were evenly distributed; no meaningful clustering of rents occurred at the low end of the scale. On a Submarket Area basis, North Berkeley had the highest mean rents, while South and West Berkeley had the lowest.

DEFINITIONS OF POTENTIALLY HISTORICALLY LOW RENTS

The concept of historically low rent is based on the premise that, in 1980, when the Rent Stabilization Ordinance was enacted and all future rents were pegged to the 1980 rent, certain units had rents in place which were below prevailing market rates for comparable units. Rents below the market rate could have occurred due to a variety of factors, such as reluctance on the part of landlords to raise rents for long-term tenants, tenants who were friends or relatives, etc. In any case, these below-market rents were frozen in place by the Ordinance, and have only been allowed to increase through the Annual General Adjustment process (AGA), which is applied evenly to all units, and the Individual Rent Adjustment process (IRA).

Thus, this study included an exploration of methodologies to define historically low rent and identify units which potentially meet the definitions. While the initial exploration of methodologies focused on statistical analysis of the Certified Rents Database, limitations of the data, coupled with other concerns, precluded exclusive reliance on statistical analysis as the only way to define historically low rents. Of great concern was the need to develop at least one definition of historically low rents that would directly address the poor financial performance of these units. Units which generate insufficient revenues to cover standard operating and maintenance expenses are at greater risk of eventually being removed from the housing stock because they are either uninhabitable or the landlord no longer perceives that the financial benefits of renting the unit are sufficient to pay the costs of maintaining the unit.

Due to the level of variability in unit size and amenities, submarket area differences, and individual owner circumstances, no single threshold rent can be used to segregate those units affected by historically low rents. The methodologies offered below include definitions based on generalizations about rents; they can only be used to identify units with strong potential for having the problems (described above) associated with historically low rents. However, all units with historically low rents do not necessarily have the financial problems described above. There may also be units with rents that fall above the threshold where, due to individual circumstances, property owners are facing the same types of financial hardships as owners with rents falling below the historically low rent threshold.

The two methodologies selected to assess the issue are both based on rent data from 1980, the point in time when historically low rent levels would have been introduced into the rent control system. They offer alternative measures to gauge the extent of the potential problem. Again, only a case by case analysis of each rental unit would provide a completely accurate count of the number of units in Berkeley with historically low rents.

The methodologies focus on threshold rents for apartments only. Because of the variety of amenities and services available, the stock of single-family houses in Berkeley is not amenable to a broad statistical analysis.

Method 1: Lowest Five Percent of the Rental Stock. One way to determine historically low rents is to identify the units with the lowest rents in the city. This procedure identifies, by unit type, the units with the lowest rents within each submarket area, and also identifies the lowest rents citywide for the same unit types. Since the distribution of rents in each submarket area varies, an examination of low rents in each submarket incorporates those variations. The combination of low rents by submarket area and low rent levels on a citywide basis permits an assessment of the potential problem within each submarket area as well as for the city as a whole.

Initial efforts focused on probing each submarket area's rent structure for a distinct "low rent" break point, with rents clustered at the bottom of the rent distribution. However, statistical analysis of the Certified Rents Database did not indicate a distinct break at any rent level; no clustering of rents at lower rent levels was evident (see Figure 2). Thus, the five percent threshold point was selected based on the best professional judgement of the consultant team.

While this methodology can produce a rent threshold by both unit size and submarket area, it has one major limitation. Since it is based on a relative ranking of the 1980 certified rents, inconsistencies in utility calculations within the database influence the threshold. Since utilities were not consistently coded in the database, all certified 1980 rents are not strictly comparable.

Thresholds based on this methodology are illustrated in Table 5. The thresholds are constructed to reflect neighborhood and citywide rent disparities. For instance, any studio with a rent below

Table 5

1980 Threshold Rents for 5 Percent Method

Number of Bedrooms	Threshold Rent					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
0 (Studio)	\$121	\$102	\$112	\$84	\$71	\$100
1	\$150	\$125	\$154	\$90	\$100	\$126
2	\$192	\$152	\$200	\$120	\$137	\$158
3	\$206	\$212	\$189	\$100	\$137	\$175
4	\$297	n.a.	\$181	n.a.	\$157	\$155
Mean Rent by Area	\$150	\$134	\$149	\$100	\$100	\$130

Source: Bay Area Economics, 1988

\$100 (1980 certified rent) within the city has the potential to be a historically low rent unit. In addition, any studio unit in Submarket 1 with rents below \$121, based on the lowest five percent criterion applied within the submarket, are candidates. By combining the structure of citywide rent variations with local submarket variations, the methodology produces a threshold which is sensitive to both unit size and submarket area.

Method 2: Break-Even Rents. The first method provides a sense of the potential numbers of historically low rent units, but it does not have a clear basis in the actual financial viability of the units. Therefore, a second methodology was developed to measure the minimal rent necessary to maintain a rental unit. Any rent falling below the break-even rent amount was considered potentially historically low.

In order to estimate break-even rents, four key assumptions were made:

1. Rents should be sufficient to maintain and improve the existing housing stock in Berkeley (pursuant to Section 2(2) of the Rent Stabilization and Eviction for Good Cause Ordinance). This assumption implies that rents should be high enough to cover at least minimum operating expenses, including routine maintenance and other expenditures necessary to keep the unit in sound physical condition.
2. In standard real estate practice, building revenues are generally expected to cover the costs of maintaining and operating that building, including payment of debt service. Therefore, a debt service component was incorporated into the break-even rent model, even though debt service is not considered an operating expense in the Rent Board Regulations (see Section 1272 and 1273). The rationale for including debt service in this model was taken from Section 1276 of the Regulations, which permits debt service to be considered as the basis for an individual rent adjustment purchased or refinanced between June 6, 1978 and June 3, 1980. Implicit in this section, as well as the sections cited above, is the assumption that all rents in place prior to June 6, 1978 were structured to include payment of existing debt service. Therefore, the model incorporates, as part of the break-even expenses, debt service that would have been incurred based on prevailing mortgage interest rates and terms in effect during mid-1978. These average rates are based on monthly data reported in the *Newsletter of the Real Estate Research Council of Northern California*.
3. Operating expense ratios to estimate break-even rents follow the ratios developed through Berkeley's Annual General Adjustment (AGA) process. Table 6 summarizes the operating ratio information incorporated within the AGA process for 1980 and 1987. However, since detailed studies conducted each year as part of the AGA process offered an ongoing profile of the operating expense data from

Table 6
AGA Operating Expense Ratios

Expense Category	1980	1987
Management		6.00%
Maintenance, Repair & Other		14.10%
Insurance		<u>4.93%</u> *
TOTAL: Maintenance and Operating	22.74%	25.03%
Property Tax	9.58%	6.60%
Library Tax		0.70%
Refuse		2.50%
Water	1.30%	1.40%
Sewer	<u>2.18%</u>	<u>4.27%</u> *
TOTAL: Water and Sewer	3.48%	5.67%
Gas		2.40%
Electricity		<u>2.50%</u>
Gas & Electricity	1.78%	4.90%
Business License Fee		1.00%
Registration Fee		2.02% *
Landscaping, Lighting assessment		1.80%
School Tax		1.90%
Fire Inspection Fee		<u>0.02%</u>
TOTAL OPERATING EXPENSE	37.58%	52.14%

* Based on the percentage for a unit of 1987 median rent (\$330)

Source: Rent Stabilization Board AGA Reports

1981 through the present, a 1980 operating profile was developed based on information incorporated in later analyses.

4. For purposes of calculating mortgage amounts and resulting debt service payments, property values were based on the expectation that the owner paid a price corresponding to prevailing market capitalization rates during the same period. The market capitalization rate for the break-even method was developed using an average gross rent multiplier for large rental property transactions completed in Berkeley in the first half of 1978. These data were obtained from the Berkeley Multiple Listings.

This technique is not designed to set up a "standard" against which rent for any unit can be evaluated. Instead, the methodology reflects circumstances in which property owners may not be capable of breaking even in operations without deferment of maintenance or capital improvements. The break-even methodology assumes that landlords should be able to charge rents sufficient to cover all costs necessary to maintain quality housing, including debt service in place prior to June 6, 1978.

The various assumptions in developing a hypothetical break-even rent in 1980 are outlined in Table 7. The model assumed minimum operating expenses at 80 percent of average citywide unit costs (as reflected in AGA information), no allowance for unit management, a gross rent multiplier of 8.00, and a loan to value of 70 percent (all conservative assumptions). Unit values to estimate debt service payments reflected by these assumptions are consistently on the low side of market transactions during the period, again incorporating a conservative approach.

Break-even rents based on these assumptions are presented in Table 8. It should be noted that rents derived from this method cannot be specified at the submarket area level as they could be for the previous method.

EXTENT OF THE HISTORICALLY LOW RENTS PROBLEM

Distribution of Historically Low Rents. Table 9 shows the number of units below the break-even rent thresholds by submarket area and number of bedrooms. On a citywide level, use of the break-even rent thresholds identified 1,950 units, or approximately 10 percent of the total rent-controlled housing stock, as having potentially historically low rents. Submarket Area 5, South Berkeley, had the highest absolute number of units below the citywide break-even threshold, with 714 units, followed by Submarket Areas 2, 3, 4, and 1.

When historically low rent units defined by the break-even method are taken as a percentage of total units in each submarket area, a somewhat different pattern emerges. Submarket Area 4 has almost 30 percent of its units below the threshold, Submarket Area 5 has just over 20 percent of its

Table 7
1980 Operating Expense Profile

Expense Category	1980 Expenses for Average Unit	1980 Expenses					
		Average Unit	Studio	1 br	2 br	3 br	4 br
Management	6.00%	\$16					
Maintenance, Repair & Other	14.00%	\$36	\$25	\$32	\$43	\$61	\$84
Insurance	3.40%	\$9	\$6	\$8	\$10	\$15	\$20
TOTAL: Maintenance and Operating	23.40%	\$61	\$32	\$40	\$53	\$76	\$104
Property Tax	6.40%	\$17	\$12	\$15	\$20	\$28	\$38
Library Tax	0.63%	\$2	\$1	\$1	\$2	\$3	\$4
Refuse	2.00%	\$5	\$4	\$5	\$6	\$9	\$12
Water	1.20%	\$3	\$2	\$3	\$4	\$5	\$7
Sewer	1.80%	\$5	\$3	\$4	\$6	\$8	\$11
TOTAL: Water and Sewer	3.00%	\$8	\$5	\$7	\$9	\$13	\$18
Gas	3.40%	\$9	\$6	\$8	\$10	\$15	\$20
Electricity	3.00%	\$8	\$5	\$7	\$9	\$13	\$18
Gas & Electricity	6.40%	\$17	\$12	\$15	\$20	\$28	\$38
Business License Fee	0.63%	\$2	\$1	\$1	\$2	\$3	\$4
Registration Fee	\$12/unit/yr	\$1	\$1	\$1	\$1	\$1	\$1
TOTAL OPERATING EXPENSE		\$111	\$67	\$84	\$113	\$160	\$220
Average Rent (1980)		\$259	\$182	\$228	\$307	\$435	\$600
Average Operating Expense		\$111	\$67	\$84	\$113	\$160	\$220
% of Average Operating Expense for Minimum Operating Expense		80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
BREAK EVEN RENT WITH DEBT SERVICE							
Minimum Operating Expense as % of Average Operating Expense							
Average Operating Expense		\$89	\$54	\$67	\$90	\$128	\$176
Debt Service		\$110	\$67	\$83	\$112	\$158	\$217
Breakeven Rent (1980)		\$199	\$121	\$151	\$202	\$286	\$393
Operating Expenses		44.72%	44.72%	44.72%	44.72%	44.72%	44.72%
Gross Rent Multiplier		8.00	8.00	8.00	8.00	8.00	8.00
Unit Value		\$19,059	\$11,569	\$14,449	\$19,396	\$27,411	\$37,744
Loan to Value Ratio		70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
Loan Amount		\$13,342	\$8,098	\$10,114	\$13,577	\$19,188	\$26,421
Interest Rate		9.25%	9.25%	9.25%	9.25%	9.25%	9.25%
Term		30 Yrs.	30 Yrs.	30 Yrs.	30 Yrs.	30 Yrs.	30 Yrs.
Breakeven Rent (1980)			Studio	One BR	Two BR	Three BR	4 BR
Average Rent (1980)			\$199	\$121	\$151	\$202	\$286
Minimum Rent as % Average Rent			77%	66%	66%	66%	66%

Table 8
1980 Threshold Rents for Breakeven Method *

Number of Bedrooms	Threshold Rent
0 (Studio)	\$121
1	\$151
2	\$202
3	\$286
4	\$393

* Based on operating expense equal to 80% of average operating expenses.

Source: Bay Area Economics, 1988

Table 9

Number of Units Below 1980 Breakeven Rent Threshold by Number of Bedrooms

Number of Bedrooms	Number of Units					Threshold Rent	
	Submarket Area						
	One	Two	Three	Four	Five		
0 (Studio)	4	15	94	9	58	180	
1	36	211	170	92	285	794	
2	27	229	102	115	315	788	
3	14	35	47	14	50	160	
4	2	8	11	1	6	28	
Total *	83	498	424	231	714	1,950	

Distribution of Number of Units Below 1980 Breakeven Rent Threshold by Number of Bedrooms

Number of Bedrooms	Percent of Units					Threshold Rent	
	Submarket Area						
	One	Two	Three	Four	Five		
0 (Studio)	4.8%	3.0%	22.2%	3.9%	8.1%	9.2%	
1	43.4%	42.4%	40.1%	39.8%	39.9%	40.7%	
2	32.5%	46.0%	24.1%	49.8%	44.1%	40.4%	
3	16.9%	7.0%	11.1%	6.1%	7.0%	8.2%	
4	2.4%	1.6%	2.6%	0.4%	0.8%	1.4%	
Total	100%	100%	100%	100%	100%	100%	

Distribution of Proportions of Units Below Break-Even Threshold

Number of Bedrooms	Percent of Units					Threshold Rent	
	Submarket Area						
	One	Two	Three	Four	Five		
0 (Studio)	3.5%	10.3%	8.4%	29.0%	30.2%	11.2%	
1	5.8%	14.2%	4.3%	29.1%	22.6%	10.4%	
2	5.3%	20.6%	4.6%	41.5%	28.6%	15.1%	
3	11.4%	22.3%	15.4%	37.8%	28.2%	20.0%	
4 **	5.9%	42.1%	19.3%	100.0%	21.4%	20.1%	
Total	5.0%	13.8%	4.4%	29.2%	21.6%	10.2%	

* Totals may differ from other tables due to missing data.

** There is only one 4 bedroom unit in area 4.

Source: Bay Area Economics, 1988

units below, Submarket Area 2 has about 14 percent below, and Submarket Areas 1 and 3 have approximately 5 percent below. Table 10 shows the same breakdown using the 5 percent threshold method.

Table 11 shows the distribution of units with below break-even rents by building size. This distribution generally follows the distribution for all certified units within submarket areas. There is a somewhat higher concentration of historically low rent units in large buildings than for all buildings containing rent-controlled units. This may, in part, be due to the presence of manager-occupied units in these buildings (with lower contract rents).

It should be noted that the number of units with potentially historically low rents is probably underestimated. Out of a total of just over 19,000 registered apartment units in the database, the information regarding number of bedrooms and 1980 certified rent, both of which are needed to determine whether or not a given unit falls below the threshold, are only available for approximately 14,000 units. Units which have had individual rent adjustments (IRAs) represented a significant portion of the units with missing data. If it can be assumed that these IRAs have helped raise rents for some units from below to above the break-even threshold, the underestimation of the number of historically low rent units may be somewhat offset.

The impact of historically low rent units may be especially negative if they are concentrated within particular buildings, reducing the total revenues below economically viable levels. The distribution of buildings by the percentage of units within the building where rents fell below the break-even threshold is shown in Table 12. Overall, 464 buildings were identified as having 50 percent or more of their units with historically low rent status. In general, lower percentages of historically low rent units per building should have less of an adverse impact on the property owner than a higher percentage of low-rent units per building. Examination of the distribution of buildings by percentage of historically low rent units in the building shows wide variation among submarket areas. In both Submarket Areas 1 and 3 over half of the buildings containing at least one low-rent unit have less than 50 percent of their total units below the threshold rent. In Submarket Areas 2, 4, and 5, over two-thirds of such buildings have a majority of units with potentially historically low rent units.

In other words, these buildings were more likely to be subject to financial difficulties as a result of concentrated historically low rents. This finding also suggests that the impact on property owners with historically low rent units in these areas is potentially greater than in the other two areas.

The problem of historically low rents is concentrated, in terms of number of low-rent units and buildings with high percentages of low-rent units, in Submarket Areas 2, 4, and 5, representing Central, West, and South Berkeley respectively. Given the overall distribution of rents in Berkeley, and the nature of the neighborhoods these Submarket Areas represent, this is not unexpected. These areas, then, have the most "typical" historically low-rent buildings, and are the areas best suited for the selection of representative case studies.

Table 10

**Number of Units Below 1980 5 Percent Rent Threshold by
Number of Bedrooms**

Number of Bedrooms	Number of Units					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
0 (Studio)	4	6	52	1	8	74
1	27	63	181	13	56	342
2	21	49	101	12	50	234
3	5	7	13	1	7	35
4	1	0	1	0	1	6
Total *	58	125	348	27	122	691

**Distribution of Units Below 5 Percent Threshold by
Number of Bedrooms**

Number of Bedrooms	Percent of Units					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
0 (Studio)	6.9%	4.8%	14.9%	3.7%	6.6%	10.7%
1	46.6%	50.4%	52.0%	48.1%	45.9%	49.5%
2	36.2%	39.2%	29.0%	44.4%	41.0%	33.9%
3	8.6%	5.6%	3.7%	3.7%	5.7%	5.1%
4	1.7%	0.0%	0.3%	0.0%	0.8%	0.9%
% Total by Area	100%	100%	100%	100%	100%	100%

* Totals may differ from other tables due to missing data.

Source: Bay Area Economics, 1988

Table 11
Number of Units Below 1980 Breakeven Threshold Rent
by Building Size

Number of units in building	Number of Units					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
1	2	10	2	7	15	36
2	12	72	30	38	78	230
3 to 4	19	129	60	74	205	487
5 to 9	41	125	120	89	331	706
10 to 24	9	69	163	22	82	345
25 and up	0	87	49	0	0	136
Total *	83	492	424	230	711	1,940

Distribution of Units Below 1980 Breakeven Threshold Rent
by Building Size

Number of units in building	Percent of Units					
	Submarket Area					Citywide
	One	Two	Three	Four	Five	
1	2.4%	2.0%	0.5%	3.0%	2.1%	1.9%
2	14.5%	14.6%	7.1%	16.5%	11.0%	11.9%
3 to 4	22.9%	26.2%	14.2%	32.2%	28.8%	25.1%
5 to 9	49.4%	25.4%	28.3%	38.7%	46.6%	36.4%
10 to 24	10.8%	14.0%	38.4%	9.6%	11.5%	17.8%
25 and up	0.0%	17.7%	11.6%	0.0%	0.0%	7.0%
% Total by Area	100%	100%	100%	100%	100%	100%

* Totals differ from other tables due to missing data regarding building size.

Source: Bay Area Economics, 1988

Table 12
Distribution of Buildings Containing Units Below 1980 Breakeven Threshold Rents
by Percentage of Units in Building Below Threshold Rent

Percent of Units Below Threshold	Submarket Area					Citywide
	One	Two	Three	Four	Five	
Less than 25%	10	18	50	9	31	118
25% to 49.9%	13	33	45	21	58	170
50% to 74.9%	9	61	28	36	93	227
75% to 100%	11	61	32	37	96	237
Total *	43	173	155	103	278	752

* Totals differ from other tables due to missing data.

Source: Bay Area Economics, 1988

Summary of Definition and Extent of Historically Low Rents. Using Method 1, which defines historically low rents according to a simple five percent threshold, a minimum of 691 apartment units can be identified as having historically low rents. Using Method 2, which defines the issue according to a break-even model of revenues and expenses, a minimum of 1,950 apartment units, or 10 percent of the total rent-controlled apartment stock, can be identified from available information in the database. Method 2 probably shows more accurately the extent of the issue, since it takes into account the relationship between rent and economic factors.

These figures are conservative. If the Database were more complete, it is likely that more units would be identified as having historically low rents. Moreover, some units falling above the threshold may also experience problems similar to those associated with historically low rents.

HISTORICALLY LOW RENT CASE STUDIES

Although the database analysis discussed above provides an indication of the number of units with historically low rents, these data do not offer any indication as to how the owners of these units, or the tenants who occupy them are affected by these low rents. Therefore, case studies of five buildings were undertaken to gain detailed insights into the historically low rents situation.

While the findings of these case studies suggest certain common characteristics for historically low rent units, the sample size is too small to derive any statistically reliable information. Therefore, these results cannot be used to generalize about all units with historically low rents. Instead, they offer the Rent Board an indication of potential trends to explore in future policy reviews focusing on the historically low rent issue.

To select candidates for the case study buildings, a primary pool was developed including the set of buildings where 100 percent of the rents were below at least one of the two defined thresholds for historically low rent. Other buildings containing one or two units not below threshold were added to the pool in order to show a broader range of situations. The final five buildings were chosen to represent a variety of sizes, locations, and other circumstances, including owner-occupancy.

The case study approach focused on both owners and tenants.¹ The five owners were individually interviewed about their properties, including detailed maintenance and operating costs and procedures, rents, capital improvements, financing, and experiences with the Rent Board. Tenants living in the case study buildings were also contacted using the same cover letter and questionnaire that was sent to households in the tenants survey.

¹ In order to assure confidentiality, all owners are referred to in the male third person regardless of gender.

Building Characteristics. The five case study buildings represent a variety of sizes ranging from two to eight units. Although the owners did not know when their buildings had been built, visual inspection indicated that all buildings were likely constructed prior to 1960. The buildings were all of one or two story construction and none had elevators. Four of the five buildings had off-street parking, but none charged additional fees for parking. One of the buildings was located in Submarket Area 2, one was located in Submarket Area 4, and three were in Submarket Area 5.

Rents. By definition, all of the case study buildings had units with historically low rents. The five buildings had a total of 25 units, of which two were owner occupied and three units occupied by tenants receiving HUD Section 8 subsidies. The 20 units covered by rent control all had historically low rents ranging from 46 to 68 percent of the average 1980 rent for similar units (after adjusting for number of bedrooms and location by submarket area).

Building Maintenance Procedures. All five owners said that they perform routine maintenance tasks including mowing the lawn, sweeping, taking out the garbage, and changing exterior light bulbs. The frequency of these activities ranged from weekly to monthly. Two of the owners (both elderly) contract with individuals or services to undertake monthly landscaping maintenance; the remaining owners complete the work themselves.

Self labor was the dominant method of providing routine building maintenance. While the Rent Control Ordinance recognizes the value of self labor, the cash flow analyses discussed below only include an allowance for management activities (calculated at 6 percent of gross rental income which is the standard amount used in the AGA process); no adjustment has been made to include the cost of self-labor required to execute maintenance tasks. The reason for this is that the owners did not include their labor as a maintenance expense. Thus, the expense ratios presented are conservative; credit for maintenance labor would increase these ratios and lower the financial return findings.

Interior maintenance work was not undertaken on a routine basis. Several owners said they used to paint their units regularly, but have stopped doing this since rent control was enacted. Others disclosed that their units are only painted upon tenant request; these owners said that they will provide materials but not labor. None reported undertaking preventative maintenance on unit interiors; interior improvements were undertaken on an as-needed basis when problems arose.

Building Operating and Maintenance Costs. Building operating and maintenance costs were determined by examining the owners' operating expenses for 1987. Information on standard operating items including property taxes, insurance, utilities, licenses and fees, etc., was requested; whenever possible, these costs were verified by 1987 income tax returns. All five owners paid property taxes, insurance, registration fees, and garbage. Other expenses paid by the owners varied depending on the types of charges paid directly by tenants, whether or not

maintenance functions were performed by contract labor, and the level and types of maintenance activities performed by the owner. In several cases, owners reported non-recurring expenses as part of their total expenses.

While expensing some of these activities is consistent with general real estate practice, Sections 1265(C) and 1267 of the regulations require that all improvements which have a useful life of more than one year and cost more than \$100 per unit be treated as capital improvements and amortized over an appropriate period of time. Therefore, in calculating the total annual expenses for owners who performed non-recurring maintenance or repairs in excess of \$100 per repair or improvement per unit, the cost of these activities was amortized over the appropriate period (as identified in Appendix A, Chapter 12 of the Rent Stabilization Board Regulations).

Adjusted total operating costs were calculated for each building, and two ratios of expenses to total income were derived. The first set of ratios included only those expenses considered in the AGA process but excluded capital improvement expenses allowed by the Regulations. This process allows for an annual increase in operating costs to the unit for routine operations and maintenance costs. The five case study buildings had AGA comparable expense-to-income ratios of 39 to 60 percent, averaging approximately 50 percent. The 1987 AGA was based on an expense ratio of approximately 52 percent (see Table 6) for an average unit. This figure, though, includes a maintenance percentage based on data compiled from IRA petitions that includes a self-labor allowance. It is not clear from the 1987 maintenance expense percentage what the appropriate proportion is for self-labor; the best readily available figure is from *Berkeley Rent Stabilized Properties; Operating Costs and Debt Service* (Baar, 1982) which for the 1983 AGA lists self-labor as 4 percent of the total expense ratio. According to AGA reports for the following years, the total percentage of income for maintenance has not increased significantly since that time, so the proportion for maintenance self-labor has probably stayed about the same. Because the case study units are, for the most part, maintained by their owners, an analogous AGA expense ratio for comparison would be roughly 48 percent.

The second method for calculating expense-to-income ratios added the cost of amortized capital improvements (non-recurring maintenance activities). This showed how the ratios based only on costs considered by the AGA process were altered by including these real costs on an amortized basis. When capital improvements, as defined by the Regulations, were included within the expense ratio calculation, the average ratio for the case study buildings increased approximately 6 percent, reaching an average of 56 percent of gross rental income.

Again, these ratios are both conservative. If credit for self labor for maintenance were included, the expense ratios would be even higher.

Moreover, in all cases, owners reported deferring some property maintenance. Owners were generally controlling expense ratio levels by changing maintenance and improvement timing; the decision to defer maintenance to lower expenses may have long-term repercussions for the

housing stock. For example, the types of activities postponed by owners included caulking and weatherization, painting (both interior and exterior), and replacement and/or preventative maintenance on unit fixtures. In the short run, the reduction of maintenance and replacement can increase profitability, but over the long run, these expenses are essential investments to ensure the long term quality of the housing stock. Since one objective of the Rent Control Ordinance is to maintain and improve the existing housing stock (Section 2a(2)), the tendency to trade off decreased maintenance costs for increased profits in these units may, in the long run, aggravate efforts to maintain the livable condition of the rental stock.

In summary, the operating expenses for the buildings examined varied; while in three instances the expense ratios were in line with the ratios assumed in the AGA process, two of the buildings had ratios significantly above these levels, suggesting that rents are too low to support necessary expenses relative to the AGA model. In addition, when amortized capital improvements were added on to standard maintenance and operating expenses, these ratios increased significantly, further highlighting the imbalance of rents. Finally, owners reported varying levels of maintenance/improvement deferrals, highlighting potential long term repercussions for the viability of the housing stock.

Net Operating Income. All five buildings had a positive net operating income (NOI), which is derived by subtracting all maintenance and operating expenses, including amortized capital improvements (as permitted by the IRA process), from gross rents. (NOI excludes extraordinary expenses.) At the very least, it appears that the buildings did generate sufficient revenue to cover operating and maintenance costs. However, as indicated above, these NOIs appeared to reflect some amount of deferred maintenance or improvements (judging from the types of maintenance activities that were included in the list of activities that were actually done by each owner), and included no credit for owner maintenance labor. In one instance, an owner is considering removing a housing unit from the market, since the owner believes that the cost of making the unit habitable exceeds the economic rent for the unit. Although this owner applied for an Individual Rent Adjustment for the unit, he is concerned that the increase permitted by the Rent Board will still be insufficient to cover the actual cost of the renovation. He is considering removing the unit from the market if he is dissatisfied with the increase.

Debt Service. Although repayment of any loans used to finance the purchase of the building (debt service) is not considered an expense under Berkeley's Rent Stabilization Ordinance, in real estate finance it is standard to measure a building's financial performance based on the ability of rents to cover both expenses and debt service. Therefore, property owners were asked about financing for their property and a "modified before tax cash flow" was calculated for each building. A before tax cash flow (BTCF) was computed by subtracting debt service from NOI, which included amortized capital improvement costs.

Three of the five buildings had financing; two buildings purchased before 1970 did not. Three of the five buildings had been purchased prior to 1970 and two since 1980. Both buildings purchased after 1980 showed negative before tax cash flow, indicating that rents were not sufficient to cover the full cost of operating and financing the building.

Because financing generally reflects the purchase price of a building, the purchase prices for these two buildings were further examined. The buildings were purchased in the 1985-86 period. One large building (5 or more units) was purchased for approximately \$12,000 per unit. The other building purchased was a small building (3 units or less) at a cost of approximately \$30,000 per unit. These costs appear to be well below the depreciated replacement costs of the buildings.

In real estate appraisal, depreciated replacement cost is one of three methods used to arrive at an estimate of a building's monetary value. This cost is calculated by estimating the cost to rebuild the existing structure and then depreciating this amount by the existing structure's age. The fact that both of these buildings were purchased at prices that appear to be below their depreciated replacement cost indicates that rent control has probably depressed the value of multi-family buildings in Berkeley.

However, market forces are still clearly at work. The per unit price for the smaller building was nearly triple the per unit price of the larger building. This shows that smaller buildings may be more desirable because they are more easily converted to owner occupied units. Also, since both buildings had negative cash flows (debt service subtracted from NOI) the purchase prices were still not low enough for the low rents to cover all the expenses an investor might expect to cover, including debt service. If this is indeed the case, the economic incentives to keep the unit in the rental stock are weak; there may be increasing pressure to convert the unit to owner occupancy. Anecdotal evidence suggests that this process is occurring.

Rate of Return. A rate of return for all five buildings can be calculated by dividing NOI by the original purchase price of the building. In standard real estate finance practice this is equivalent to a rate of return on total capital (ROR) (focusing on the productivity of the total capital invested, including both debt and equity capital).² For an all cash purchase ROR reflects the rate of return on the cash investment.

For purposes of this study, returns were calculated assuming all cash purchases of property in order to simplify the data and retain consistency with Rent Stabilization Board Regulations, which does not generally acknowledge debt as an expense. However, it is important to note that the ROR (return on total capital) will be affected by the interest rate of the debt, if debt is used to purchase a property. If the interest rate on debt exceeds the ROR, the return on cash invested by

² See Pyhrr, Stephen A. and Cooper, James R. *Real Estate Investment: Strategy, Analysis, Decisions*. New York: John Wiley and Sons, 1982, page 253-256.

the owner will be less than the ROR would have been for an all cash purchase. For example, assume a unit has a total purchase price of \$20,000 and an NOI of \$1,600. If this were an all cash investment, the ROR would be 8 percent (\$1,600 divided by \$20,000). If the unit was purchased for \$10,000 cash and \$10,000 debt at a 10 percent interest rate, then interest payments would total \$1,000 per year. When the interest payments are subtracted from the NOI, the return remaining for the investor on his cash investment (return on equity) drops to 6 percent.

Assuming an all equity purchase, the rates of return for the case studies varied significantly, ranging from 3 to 22 percent excluding adjustment for capital improvements, and 2 to 18 percent including allowances for depreciation of capital improvements. Two of the buildings had returns of less than six percent and were thus not profitable in comparison to other investment options such as stocks and bonds. However, three buildings had returns ranging from 7 to 20 percent annually. If debt were included in the calculations of return, the actual return on the cash portion of the total investment would decline for those buildings purchased after 1980, when the cost of debt was higher than the overall return of the properties.

Economic theory indicates that the rate of return from alternative investments should, over the long run, be consistent with the relative risk inherent in the investment vehicle. Due to a variety of factors (fixed location, incremental cash flow streams, temporal submarket variations, etc.), real estate risk has been considered relatively high by investors. Average economic returns for real estate have thus been greater than for "safer" investment alternatives (including most debt instruments, blue chip stocks, etc.). In two of the buildings examined, both recent purchases, pretax returns were below the rate of return associated with "risk free" investments (treasury notes, short term commercial paper, etc.), and thus had economic returns well below that which would be considered acceptable by investors according to economic theory. But was the picture is mixed; given maintenance and improvement levels, three owners were operating with returns consistent with economic theory. In general, long term owners were achieving returns significantly above more recent owners.

The preceding analysis focused on pretax returns. In prior years, tax policies significantly affected real estate returns. However, the Tax Reform Act of 1986 significantly changed the tax shelter available from real estate. Passive loss limitations (losses and credits limited to no more than \$25,000 of non-positive income), reductions in tax brackets, and related changes significantly complicate the calculation of after tax returns. Income levels, ownership patterns, and the nature of income earned all heavily influence the level of tax shelter available from rental property.

Calculations of after tax returns revealed that the after tax ROR for the buildings varied; the two buildings with the lowest pretax RORs increased their after tax RORs by approximately 2-3 percentage points (i.e., ROR including capital allowances increased from 5 percent to 8 percent and from 2 percent to 5 percent). However, the after tax returns for buildings with high pretax returns decreased slightly due to lower depreciation. However, on a cash basis, both buildings with low returns experienced negative after tax cash flow. While the tax shelter from the property

ownership reduced these losses, both owners still experienced cash flow losses from operation and debt service on the property.

The total rate of return on a property is a combination of both annual after tax cash flow from operations as analyzed above and increases (or decreases) in property value as expressed by the sale price of property at the end of the investment period. The increase in property value, captured at property sale, can be calculated as an annual return on property from appreciation. In many negative ROR (return from operations) situations, it is return from appreciation upon sale at the end of the investment period which boosts the investor's total annual return from negative to positive.

While it is beyond the scope of this study to undertake detailed appraisals on the subject properties to accurately ascertain true total annual rates of return including appreciation, recent market trends can be used to estimate case study property values, leading to a rough measure of the total potential return of each property including annualized appreciation. For this study, gross rent multipliers, which indicate investor property valuation based on property rents, were utilized to estimate current values. These gross rent multipliers were estimated based on reported sales in the Berkeley Multiple Listing Service in late 1987 and early 1988. For larger buildings (4 units or larger), gross rent multipliers generally ranged from 7 to 9, averaging approximately 8 for the period analyzed. However, the gross rent multipliers for small buildings (under 4 units) varied widely, ranging from approximately 9 to 17, averaging approximately 11.5. Further, numerous vacancies in small for-sale buildings were reported, highlighting the potential for owner occupancy. Thus, as discussed earlier, the per unit market valuation of small buildings tends to be higher than larger buildings (as demonstrated by high gross rent multipliers), reflecting the implicit premium of potential owner occupancy.

Estimated returns on property sale were measured based on both nominal return on invested cash (not adjusted for inflation) and real return on invested cash (adjusted for inflation during the period of ownership).³ On a nominal basis, two of the properties (both purchased since 1980) were estimated to have experienced loss in value, with cash returns after payment of tax and mortgage balance not returning original purchase price; in neither case were market valuations sufficient to return original owner cash investment. The remaining owners had estimated returns ranging from 4 to 12 percent annually from property sale.

3 In order to gauge the influence of property appreciation on owner returns, current market values for all subject properties were estimated using gross rent multipliers ranging from 7.5 to 8.5 for larger buildings and 11 to 12 times gross rent for small buildings (reflecting market conditions in late 1987). All sales were adjusted to reflect the commission costs of the sale (5%). Taxable gain on property sale was calculated based on ordinary income rates applied to the net purchase price after reduction of gain by remaining property basis in each building. Net sales price (after commissions) was adjusted for income tax and outstanding debt levels.

When nominal returns were adjusted for inflation, however, only two owners had a building value estimated to exceed original purchase price. Estimates for the owners of the remaining buildings demonstrated capital losses, when inflation during the period is taken into account.

A full assessment of returns for the case study properties was beyond the scope of this study; it would require detailed information about each building for a period of up to 32 years. While the discussion in the previous paragraphs highlights key measures of current return, it is only indicative of the economic position of five owners. However, it is clear that estimated returns to properties purchased recently (measured by pretax operations, after tax cash flows and appreciation) were significantly below those of long term owners. Moreover, the returns of long term owners varied significantly. Finally, a review of estimated property sale values reveals systematic differentials in market valuations of large and small properties. Further study is needed to fully evaluate the impact of these increased property values on the status of small buildings as rental stock.

Capital Improvements. As was discussed above, Section 1265 of the Rent Stabilization Board Regulations defines any non-recurring maintenance activity costing more than \$100 per repair per unit, or any major improvement, as a capital improvement. The regulations specify that any property owner making (or planning to make) a capital improvement can petition for an individual rent adjustment (IRA), whereby rents can be legally increased to cover the cost of the improvement over a predetermined amortization period.

The five case study property owners were asked to list any capital improvements they had made to their building on a year-by-year basis since 1980. Four of the five owners had made capital improvements, ranging from exterior painting and reroofing to replacing hot water heaters and other fixtures. Two of the owners had applied for IRAs to cover, among other things, the amortized cost of these improvements. However, at the time these owners were interviewed (Fall of 1988) none had completed the IRA process. The other three owners said they had no interest in applying for an IRA because they did not want to undertake the paper work. This reluctance to apply for an IRA is discussed in more detail below.

Although all of the owners had made some improvements to their buildings since rent control was enacted, they all indicated deferral of building improvements. Several said that their buildings required exterior painting, while others wanted to make other kinds of improvements. However, all the owners hesitated to make any of these major improvements because they perceived this as too costly given the level of their rents. Furthermore, perceived difficulties in obtaining IRA adjustments, discussed below, contributed to decisions regarding capital improvements.

Property Owner Characteristics. All five case study property owners purchased their properties as investments. Two of the owners were retired and had purchased rental property in the late

1950s or early 1960s as an investment that could provide an annuity to supplement other retirement benefits.

Four out of five owners would be considered somewhat inexperienced real estate investors. None of these owners had any background in real estate finance or management and none of them had worked in occupations related to real estate. All five owners communicated a very strong pride of ownership (including one owner who had a photo album with numerous pictures of the building and the various improvements that have been made). Three of the owners were elderly. These older owners specifically expressed concern about their age as a factor in continuing to operate and maintain their buildings.

Two of the five buildings had owners living in them. A third owner lived in Berkeley but not in his case study building. The remaining two owners lived in other East Bay communities. One of these two owners worked in Berkeley; the other's place of work was not disclosed.

While all five owners expressed concern over the situation for the tenants living in their buildings, the two owners who lived in their buildings had more of a personal relationship with their tenants.

Experiences With the Rent Board. All five property owners were asked to report their experiences with the Rent Board. The responses to this question included both an objective description of each owner's interactions with the Rent Board as well as subjective comments about their perceptions of how the Ordinance and the Regulations affect them. In reviewing these comments, it is important to remember that the owners' comments do not necessarily reflect thorough knowledge of the Ordinance or the Regulations, and that these five owners are not necessarily a representative sample of all historically low rent property owners in Berkeley.

Two of the five property owners had no contact with the Rent Board, other than to register their units and follow the annual general adjustment process. However, even these two owners had strong feelings about the Rent Board. While they said that they were basically satisfied with the current financial return from their building, they did not like the lack of flexibility imposed on them by the rent control ordinance. One owner indicated that since he did not have a mortgage for his building, he was generally satisfied with his return and saw no reason to increase rents via the IRA process. However, he was worried that if he should ever need to evict a tenant, he might be prevented from doing so by Rent Board Regulations. The other owner who had no direct contact with the Rent Board expressed a general dislike for rent control process. He was also very eager for the Board to adopt a policy regarding historically low rents that would allow him to increase his rents.

Two other owners had applied for IRAs. The outcome of these petitions did not satisfy either owner. One owner said he applied for an IRA but became so frustrated with the process that he withdrew it. The second owner applied for an IRA on the basis of a number of claims. The hearing

examiner granted some of the increases, did not allow others, and failed to render a clear decision on some aspects of the petition. The owner has now appealed this decision.

The fifth owner had not applied for an IRA for this particular property, but had applied for an IRA on another property he owns in Berkeley. His experience was also very negative. Overall he found the process to be expensive, burdensome, and very time consuming. He also said the process was very divisive. At the time he filed his initial petition he said that all of his tenants were in support of the IRA. However, by the end of the process, the tenants were reportedly no longer in support of his petition and an adversarial relationship developed between this owner and his tenants that had not previously existed.

The general perception of the five case study owners, as well as many other owners who were contacted but declined to participate in the study, is that the Rent Board did not fairly consider their interests. Property owners felt they were not always treated courteously, nor were they always given a full opportunity to state their case. While some of the frustration the property owners felt is with rent control itself, a great deal of their dissatisfaction focused on the administration of the IRA process. With regards to replacement of key items normally routine in real estate ownership (i.e. appliances and fixtures), the potential for a protracted IRA process is especially frustrating.

None of the property owners objected to the concept of the IRA process, nor did they question the need for the lengthy application form (although several people found it difficult to provide the required information). However, the owners had difficulty interpreting the Regulations to determine the appropriate basis for their application. They also reportedly found the hearing process to be cumbersome and time consuming.

The results of the IRA petitions were often not satisfactory for the owners. Moreover, since they could not obtain the increases they felt were justified by normal real estate practice, the owners indicated a disinterest in undertaking building improvements. Also, the owner currently appealing the initial decision felt that the process permits the hearing examiners to make arbitrary decisions because he believes that the current Regulations include very few guidelines or standards for the hearing examiners to follow. For example, the owner indicated that the hearing examiner extended amortization periods specified in the IRA procedures for certain capital improvements without providing any rationale for this decision.

In summary, the impact of historically low rents on the overall financial position of the five case study buildings varied widely. Those buildings with long term owners, low or no debt service and few capital improvements generally had acceptable overall rates of return; buildings with high debt service and more extensive capital improvements had returns below those of comparable investment alternatives. While the issue of a "reasonable rate of return" is not the topic of this study, the financial position of the owners does affect decisions regarding major capital improvements. The five case studies indicate that property owners deferring maintenance appear

to be obtaining a competitive rate of return; whereas, those owners who have made capital improvements do not seem to be achieving a reasonable return. Furthermore, returns would decline if owners were credited for their self-labor costs or if they had to pay the cost of hired contract labor. The net result of these actions is that the quality of these units may be deteriorating over time.

Owners also expressed dissatisfaction with the IRA process. While the IRA process is supposed to provide relief for property owners able to justify rent increases and therefore remove the financial disincentive to undertake capital improvements, the case study property owners felt that the IRA process has not been an effective mechanism to accomplish this. Again, it must be emphasized that the case studies are not statistically valid. They should be viewed for what they are; five case studies which may reveal potential trends. Further investigation is necessary to confirm these findings with respect to all historically low rent properties.

Historically Low Rent Unit Tenant Profiles

One of the major concerns related to possible policy changes to alleviate historically low rents is the impact of rent increases on affected tenants. One way to examine this issue is to assess the demographic characteristics of tenants living in case study buildings, including their existing rent burdens. This would allow further analysis of the direct impact of rent increases on actual tenants.

An attempt was made to contact all tenants living in case study buildings via the same cover letter and questionnaire used for the tenants survey. The tenants were not told that they were part of a case study, but merely that they were part of a small but important sample. This was done to ensure greater confidentiality for both the tenants and the property owners. Although this approach yielded a relatively good response rate for the tenants survey, it was not effective in eliciting responses from tenants in the case study buildings.

When the survey approach failed to generate an acceptable response rate, two other methods of obtaining information about tenants in historically low rent units were used. First, the responses of households living in historically low rent units who participated in the tenants survey were compiled into a separate database. Second, the five case study property owners were contacted and asked general questions about demographic characteristics of their tenants. While this information does not offer the precision of detailed data provided by the tenants in the case study buildings themselves, it offers a qualitative description of the same type of tenants. These data, in turn, can be compared to the historically low rent tenant data from the survey. The historically low rent tenant data were also compared to the overall survey results to identify any differences and similarities.

The results presented below include a discussion of information collected from the tenants survey, the responses of tenants living in historically low rent units, and the qualitative information about

tenants provided by landlords. (For a more detailed discussion of survey results see Section III of this report.) Only the overall survey results are statistically reliable. There were too few responses from tenants living in historically low rent units to make any statistically reliable inferences about all tenants in the city living in historically low rent units. In addition, there are other statistical differences between the two data sets rendering them not strictly comparable. However for purposes of this analysis, the two were compared to highlight some possible trends and areas for further exploration.

Household Type. The most common household type for historically low rent (HLR) survey respondents was one person living alone. The citywide survey results indicated that about one-half of the tenants in rent-controlled units were single people. A comparable percentage of (HLR) survey respondents also lived by themselves. However, about 35 percent of the HLR households were families with children, in contrast to 15 percent for the survey sample as a whole. Another apparent difference between the survey sample and the HLR tenant respondents was the number of households comprised of unrelated persons other than couples. While this group represented almost 16 percent of the survey sample, it accounted for only 1 percent of the HLR households. Households in the case study units had a higher proportion of single people living alone than the HLR survey respondents, while the proportion of married couples without children was higher than for the overall sample or the HLR respondent group. In addition, the case study buildings had one two-parent family but several single parent households.

Age of Respondents. The HLR survey respondents generally seemed to be older than the citywide average in rent-controlled units. About 10 percent of the respondents from the overall sample were over 55 years of age, and 18 percent were in the 18-24 category. In contrast, almost one-third of the HLR respondents were 55 years of age or older and only 3 percent were in the 18-24 age range. The case study units also had a high concentration of older people. Most of the married couples without children living in these units were in their 50s or older, and many of the single people were in their 40s or older. Although this age distribution suggests that the occupants of historically low rent units may be somewhat older than general population of people living in rent-controlled units, this result may be somewhat skewed by the fact that historically low rent units in Submarket Area 3 were underrepresented among the HLR respondents.

Race or Ethnicity. The HLR survey respondents were more likely to be minorities, especially Blacks. In the survey sample, Blacks account for only about 11 percent while in the HLR respondent group they accounted for almost 50 percent. Whites represented 66 percent of the respondents for entire sample compared to only 33 percent for the HLR respondents. Hispanics were about the same proportion in both groups. Blacks were also the largest racial group living in the case study units, followed by Hispanics. Only one White person was reported in any of the case study units. The ethnicity of two tenants was undisclosed.

Length of Tenure. Tenants living in the HLR units generally appear to have lived in their current residence longer than the overall survey population. Only about 11 percent of the respondents in

the overall sample had moved into their unit over ten years ago, while over one-third of the HLR respondents had lived in their units for this length of time. The case study buildings also had several long term tenants. However, most people were reported to have been in their current unit from three to five years. It is interesting that several of the case study buildings seemed to have more turnover than others; however, given the quality of the data, it is impossible to identify seemed the factors that contribute to the varied turnover rates. Also, several tenants in case study buildings who had moved into their units within the last several years were replacing people who had lived in the unit for 10 years or more.

Income. Survey results indicate slight income differentials between survey respondents as a whole and the HLR respondents. About 28 percent of the sample as a whole earned less than \$10,000 in 1987, while about 34 percent of the HLR respondent households were in this category. Similarly, both groups of respondents also had about 21 percent of their respondents clustered in the \$25,000 to \$35,000 category. Because the tenants in the case study units did not provide any income information, it is difficult to compare them with the other two groups.

However, property owners were asked about the occupations of their tenants as a proxy for income. While this type of information can be deceptive, it still offers a limited qualitative assessment of the general income levels of these tenants. Not surprisingly, given the age distribution of these tenants, there were quite a few retired people. Several tenants were reported to have relatively low-paying positions; these positions included in-store sales, restaurant kitchen work, and office clerical employment. Others positions cited included construction trades and government. Only two people had traditional white collar jobs. In one case the property owner did not know the tenant's occupation.

Rent Burden. While a qualitative assessment of rent burden is not possible for the tenants in case study units, the HLR respondents offer an interesting basis for comparison with the overall survey sample. While about 40 percent of the total tenant sample paid less than 20 percent of income for rent, almost 60 percent of the HLR respondents were in this category. Further, only 6 percent of the HLR respondents paid in excess of 50 percent of their income for rent, whereas over 14 percent of the respondents in the overall sample paid more than 50 percent of their income for housing.

Although HLR respondent households have a slightly lower average income than respondent households in the overall survey sample, the HLR households have lower rent burdens than the sample as a whole. It is interesting to note that this finding is opposite of what occurred in the survey sample overall, where lower incomes generally correlated with high rent burdens. The apparently large proportion of tenants in HLR units paying less than 20 percent of their income for rent may also show that there could be some room for adjusting rents upward without causing people to pay over 30 percent of their income for rent, a rent burden level generally considered reasonable by federal and state standards. However, a much more extensive study would have to

made of the HLR tenants' rent burden to provide statistically reliable data to confirm this observation.

Summary of Case Studies. The analysis of the five case study buildings yielded several key findings. Three of the case study buildings evidenced expense ratios higher than the average assumed for the AGA process. Due to the nature of the AGA process, which applies an average expense pattern to all buildings to calculate annual rent increases, the buildings with high expense ratios do not receive full compensation for their expenses in relation to their low rents. This situation is compounded when capital expenses, not calculated as part of the AGA process, but nevertheless affecting the economic performance of the buildings, are taken into account.

Analysis of financial returns accruing to each property owner, on a pre-tax and after-tax basis, indicated a mixed picture. For those owners who have held their buildings for long periods (over 15 years), the financial returns based on building operations were generally within the range of acceptability according to economic theory, while those purchasing later than 1980 did not achieve acceptable levels of return. It is important to note, however, that one long-term owner had returns below alternative investments.

The analysis of estimated property appreciation indicated the same mixed situation: two buildings purchased over twenty years ago did yield acceptable returns to the owner, even when adjusted for inflation. However, three of the five buildings did not yield acceptable returns; they would sell for less today than what the owners paid for them, after adjusting for inflation.

Interviews of the case study property owners indicated that numerous maintenance items typically required to preserve a building's quality are being deferred due to the lack of economic incentive (e.g. low rates of return) to make the investments. The pattern of deferred maintenance in historically low rent buildings could have substantial long-term effects upon the quality of Berkeley's rent-controlled housing stock. Although the IRA process exists to enable owners to adjust rents for certain maintenance activities, many of the case study property owners did not use the IRA process for various reasons.

Analysis of the tenant profile for tenants living in potentially historically low rent units (HLR tenants) also resulted in several key findings. More of the HLR households were categorized as families with children than for the tenant population as a whole. HLR tenants tended to be more concentrated in the over 55 age group. Blacks were concentrated to a greater degree in the HLR group, tenant tenure was typically longer, and incomes tended to be slightly lower than the total tenant population. Finally, the relationship of rent to income, categorized as rent burden, was low for a larger proportion of the HLR group than for tenants as a whole. Almost 60 percent of the HLR tenants paid under 20 percent of their income for rent, suggesting that a number of tenants in historically low rent units could absorb the effect of moderate rent increases up to the generally accepted ceiling of 30 percent of income.

III. TENANTS AND RENT-CONTROLLED HOUSING IN BERKELEY

The Berkeley Tenants Survey was designed to provide the Rent Stabilization Board with statistically reliable information regarding tenants in rent-controlled units, the quality and condition of the housing units they live in, the rents paid for those units, the relationship between the tenants and their landlords and managers, and tenants' overall impression of the success of the Rent Control Ordinance in meeting its stated goals. This survey represents the first attempt to gather this information systematically, and it is the first survey of renters to look at neighborhood areas in Berkeley individually. The survey will also provide a baseline against which future surveys can be compared to reveal changes in the renter population or the rental stock.

What follows is a presentation and discussion of the basic survey results, some comparisons of these results to the 1980 Census and a previous survey of rent-controlled units in Berkeley, and where noteworthy, crosstabulation and subgroup analysis, which examine how the basic frequency distributions are affected by intervening variables. Where possible, survey results are presented in a format permitting comparison of key variables with 1980 Census information for rental households; for some variables this comparison is possible on a submarket area level, but for others it is possible only on a citywide level. Some comparisons are also made to the Baar-LeGates survey of rent-controlled units in 1984, *Rental Housing Under the Berkeley Rent Stabilization Ordinance: A Survey of Tenants and Landlords*, but since that survey's results were often categorized using non-Census categories, the comparisons are often made only in a general non-statistical manner.

Although comparisons to 1980 Census data are instructive, they must be considered in light of two facts: one, the Census results are usually based on the response of the head of household, while the survey results are based simply on a respondent, who might be any individual in that household; two, the Census counts all rental households, including those in subsidized housing, cooperative housing, and all owner-occupied duplexes, while the survey considers only those rental units registered with the Rent Board. For some variables, particularly ethnicity, the difference between the Census, or the entire population, and rent-controlled population becomes important. As for comparing heads of household with respondents, about one-half the units are occupied by single persons living alone (see below), so in at least half the cases the respondent is the head of household. In any case, contrasts between the Census and the survey may represent differences between two populations (which do overlap) rather than trends through time. The comparisons are presented here because they often represent the best basis for comparison of the survey results to a previous point in time.

METHODOLOGY

The survey (reproduced in the Appendices) was mailed to 2,000 units in Berkeley. Random sampling was used to select these units from the database of all certified rent-controlled units in the city. This Certified Rents Database was previously sorted into five submarket areas for the historically low rents analysis; for the survey sample 400 units were randomly selected from each area. 826 usable responses were obtained from the sample, broken down by submarket area as follows:

Submarket Area	Number of Responses
1	184
2	165
3	189
4	138
5	150
Total	826

The compiled responses are presented both by submarket area and the city as a whole. There were an additional 149 unusable responses. These included vacant units, owner-occupied units, and surveys returned due to incorrect addresses, giving a total response rate of 45 percent. For a full discussion of the survey methodology and response rate, see the Appendices.

If a sample such as the one used in this survey is not biased, the sample will represent the total population from which the sample was taken. In other words, the distribution of sample responses for a variable can be assumed to represent the distribution on that variable for the entire population. This survey actually sampled five separate populations, the five designated submarket areas of Berkeley. The distribution of responses for each of these submarket areas for any given question is presented here in the form of proportions (percentages), with the total of the proportions adding to 100 percent for each submarket area. Caution should be exercised when making cross-submarket area comparisons: the number of units that constitute the total population for that submarket area varies by submarket area. Therefore, when comparing for the same variable across submarket areas, equal proportions do not necessarily represent equal absolute numbers in the respective populations of the submarket areas being compared, and different proportions do not necessarily represent different numbers in the respective populations. For example, a proportion of 10 percent of the respondents in Submarket Area 3, when extrapolated to the whole population of rent-controlled units in that area, would represent 988 units, while a proportion of 10 percent in Submarket Area 4 would represent only 87 units.

Also as a result of the different total unit count for each submarket area, the responses (presented as proportions) from each submarket area must be weighted by the number of units in that area before being averaged to give a citywide distribution. (Please refer to the Appendices for a more complete discussion of this and other aspects of the survey methodology.)

In the following presentation only the percentage distributions are given. In most cases the response rate for each question is very similar to the overall response rate. In cases where the number of responses is considerably lower, that number is provided in the table. Complete information on number of responses to each question is shown in the Appendices.

The results of this survey, as with all surveys, must be interpreted in light of the fact that the results compile only the responses of a sample and not the entire population. These responses are only an estimator of the characteristics of the entire population. Statistically, the quality of the estimate is based on the standard error and the confidence intervals selected; the possible error is a function of the sample size, the bias in the sample, and the distribution on the variable in the entire population. In ordinary parlance, this is commonly referred to as the "margin of error." For the purposes of this survey, given the number of the responses, a difference of a few percentage points does not necessarily represent a real difference in the population of all Berkeley rent-controlled units. This margin of error, however, varies for each possible response for each individual question. The standard error and confidence intervals for critical variables are shown in the Appendices.

DEMOGRAPHIC CHARACTERISTICS OF TENANTS IN RENT-CONTROLLED UNITS

The basic demographic characteristics that were surveyed refer to both the respondent and the entire household occupying the respondent's rental unit. Respondents were asked their household size, household type, total household income, general occupational categories of all household members, and the ethnicity and age of all household members including themselves. From their responses it is possible to show both the common characteristics and the diversity of persons and households occupying Berkeley rent-controlled units.

Household Size. The distribution of units by the total number of persons in the unit is shown in Table 13. Citywide, almost half the households contain one person living alone in their rental unit. By submarket area, the lowest percent of single-person households is 41.9 percent in Submarket Area 4 (West Berkeley), and the highest is 56.0 percent in Submarket Area 5 (South Berkeley). Citywide, and in each submarket area, one or two person households constitute over 70 percent of the households. These proportions of one and two person households correspond very closely to the 1980 Census data for rental units in Berkeley (Table 14). The percentages of single person households are the same in the survey and the Census (both are 49.9 percent), and the percentages of two person households are similar (34.9 percent in the survey, 30.5 percent in the 1980 Census). Citywide, the survey and the Census show about the same mean household size, 1.76 for the survey, and 1.84 for the Census. Thus, the typical Berkeley rent-controlled unit contains a small household, comparable in size to the average Berkeley rental household in 1980. This may mean that rent control either has had no effect on household size, or that rent control has offset other pressures for change in household size, such as increases in household size due to a

Table 13
Distribution of Household Sizes

Number of Persons in Unit	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
1	54.7%	44.2%	49.7%	41.9%	56.0%	49.9%
2	30.4%	35.6%	36.9%	33.1%	31.3%	34.9%
3	8.3%	9.2%	10.2%	14.0%	8.7%	9.7%
4	5.5%	7.4%	2.1%	5.9%	2.7%	3.7%
5	1.1%	3.1%	0.0%	4.4%	1.3%	1.1%
6	0.0%	0.6%	1.1%	0.7%	0.0%	0.7%
% Total by Area	100%	100%	100%	100%	100%	100%
Mean	1.68	1.93	1.73	2.00	1.62	1.76

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 14
Distribution of Household Sizes
1980 Census

Number of Persons in Unit	Citywide
1	49.9%
2	30.5%
3	11.0%
4	5.6%
5	2.0%
6 or more	0.9%
% Total	100%
Mean	1.84

Source: 1980 U.S. Census

decrease in affordability of rental units, or decreases in household size due to smaller family size occurring regionally and nationally. Due to the effect of other intervening factors it is not possible from the survey results alone to draw a conclusion about the effect, if any, of rent control on household size.

Age. The second demographic variable considered is age. The survey obtained information regarding the respondent's age and the age of all members of the respondent's household. The distribution by age group of the total count of household members in survey households is shown in Table 15.

Children under 18 years of age constitute about 10 percent of the total renter population, in respondent households, persons 18 to 24 about 25 percent, persons 25 to 34 slightly over 30 percent, persons 35 to 54 about 25 percent, and persons 55 and older about 10 percent. There are considerable differences between submarket areas in the overall age distribution. The University area, Submarket Area 3, has the largest concentration of young adults (ages 18 to 24), 32.9 percent, the smallest proportion of persons under 18 (3.4 percent under 5, 2.7 percent age 5 to 17), and also the smallest proportion of tenants 55 or older (4.8 percent), an overall distribution pattern as might be expected in an area with a high concentration of student households (see below for household type distribution). Submarket Area 1 has a relatively high percentage of younger children (5.3 percent), but a very low percentage of children aged 5 to 17 (1.7 percent); in the three remaining submarket areas (2, 4, and 5), the population aged 5 to 17 constitutes greater than nine percent (9.1, 18.7 and 12.0 percent respectively) of the total in rent-controlled units. The percentage of older adults, those aged 55 and over, is less than 15 percent in all submarket areas, being especially low in Submarket Area 3 (4.8 percent).

In summary, the modal age group citywide in rent-controlled housing (the group containing the largest number of individuals) is the 25 to 34 age group (32.3 percent of the tenants in responding households); this is also the modal group in all submarket areas except Submarket Area 3, where the modal group is the 18 to 24 age group. This submarket area also has the lowest concentration of children and elderly.

Comparison of respondent age distribution (Table 16) with the distribution by age of household heads of all rental households in 1980 (Table 17) shows respondents as slightly older than the population responding in the Census. The age group from 35 to 44 among survey respondents is somewhat larger than among all rental units in 1980, and the age groups from 15 to 24, and 65 and older, represent a smaller percentage of respondents in the survey than householders in the 1980 Census. While this shift in survey responses toward more middle-aged residents could be interpreted as meaning some renters are not moving out of inexpensive rent-controlled units into other types of housing, a sometimes claimed result of rent control, it might be merely a function of the aging of the overall population, especially the "baby boom" cohort.

Table 15
**Distribution of All Persons in Respondent
 Households by Age Group**

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Under 5	5.3%	6.2%	3.4%	4.5%	3.3%	4.1%
5 to 17	1.7%	9.1%	2.7%	18.7%	12.0%	6.2%
18 to 24	13.9%	15.0%	32.9%	7.5%	13.6%	23.1%
25 to 34	39.4%	36.5%	31.1%	27.6%	28.5%	32.3%
35 to 54	28.5%	24.1%	25.0%	28.4%	31.0%	26.4%
55 to 64	3.0%	3.9%	2.1%	7.1%	4.1%	3.1%
65 and older	8.3%	5.2%	2.7%	6.3%	7.4%	4.7%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 16**Distribution of Units by Age of Respondent**

Age	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Under 18	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18 to 24	9.2%	11.3%	27.6%	4.5%	7.8%	18.2%
25 to 34	42.5%	42.8%	37.3%	36.1%	36.2%	38.6%
35 to 44	21.8%	28.9%	21.6%	28.6%	27.7%	24.4%
45 to 64	14.9%	13.2%	10.3%	20.3%	19.1%	13.3%
65 and Older	11.5%	3.8%	3.2%	10.5%	9.2%	5.5%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 17**Distribution of Heads of Household by Age
1980 Census**

Age	Citywide
15 to 24	23.5%
25 to 34	39.9%
35 to 44	14.9%
45 to 64	11.7%
65 and Older	10.1%
% Total	100%

Source: 1980 U.S. Census

Ethnicity. Table 18 shows the distribution of all persons in respondent households by general ethnic category. Citywide, 61.7 percent of the total persons in respondent tenant households are White, 19.2 percent are Asian, 13.1 percent are Black, 4.1 percent are Hispanic, and 1.8 percent are Native American or Other. There is significant variation between submarket areas in the distribution pattern. Submarket Area 1 shows a very high proportion of Whites (81.6 percent) and a sizable minority only of Asians (13.6 percent). In Submarket Area 2, Whites represent half of the total persons, with Blacks and Asians constituting considerable minority proportions (19.9 percent and 22.9 percent respectively). In Submarket Area 3, Whites constitute a considerable majority (68.8 percent), with Asians constituting the only sizable minority (23.7 percent). In Submarket Area 4, no ethnic category claims a majority, but there are sizable proportions of all groups except Native Americans and Others. Blacks claim a plurality, with 34.9 percent, with Whites following closely at 33.7 percent, and Hispanics and Asians representing 14.6 and 14.2 percent of the total, respectively. Submarket Area 5 has a slight majority of Whites (50.8 percent), with sizable proportions of Blacks (36.4 percent) and Asians (7.2 percent). Thus Whites are relatively well-represented across all submarket areas, and Asians are also, at lower percentages. Blacks are proportionally well-represented in Submarket Areas 4 and 5, with a notable percentage also in Submarket Area 2. The proportion of Hispanics is above 5 percent only in Submarket Area 4.

This discussion, though, shows one example of the caution which must be used in translating these proportions of respondents by submarket area into total numbers citywide. For example, the 3.5 percent Hispanic proportion in Submarket Area 3 represents a larger number of tenants than the 14.6 percent in Submarket Area 4, since the total number of units in Submarket Area 3 is over 10 times that of Submarket Area 4.

Table 19 shows the ethnic background of respondents only. The highest proportion of Whites is Submarket Areas 1 (83.4 percent). Submarket Areas 4 and 5 have the highest proportion of Blacks (both at 33.8 percent), Submarket Area 3 has the highest proportion of Asians (25.1 percent), and Submarket Area 4 has the highest proportion of Hispanics (9.2 percent). Whites are the largest group of respondents in all submarket areas; they constitute the majority in all submarket areas except Submarket Area 4.

There are significant differences between the survey results for respondent ethnicity and the 1980 Census data regarding ethnicity of head of household (Table 20). These figures are of considerable interest related to ongoing concern in Berkeley about the loss of Black population. The Berkeley General Plan *Housing Element* adopted in 1985 cites loss of Black population as evidence that the city is having difficulty providing "decent and affordable housing" for all its residents; this conclusion is based on a decrease of 12 percent in the total number of Black households and about 18 percent in the total number of Black renter households from 1970 to 1980. Proportionately, Black households declined from 22 percent of all renter households in 1970 to slightly under 19 percent of all renter households in 1980.

Table 18

Distribution of Total Counts of Each Ethnic Group in Respondent Households **

Ethnicity	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
White	81.6%	50.0%	68.8%	33.7%	50.8%	61.7%
Black	0.7%	19.9%	2.5%	34.9%	36.4%	13.1%
Hispanic	3.4%	4.9%	3.5%	14.6%	3.0%	4.1%
Asian	13.6%	22.9%	23.7%	14.2%	7.2%	19.2%
Native American	0.0%	1.3%	0.6%	0.8%	1.3%	0.8%
Other	0.7%	1.0%	0.9%	1.9%	1.3%	1.0%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

** This table is based on only rent-controlled housing, and not the entire rental housing stock of Berkeley. In order to estimate accurately the percentages for all rental housing in Berkeley, (for comparison with 1980 Census data), other rental units, especially public and assisted housing, must be included.

Source: Bay Area Economics, 1988

Table 19

Distribution of Respondent Ethnicity **

Ethnicity	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
White	83.4%	63.5%	68.9%	45.4%	57.4%	66.2%
Black	0.0%	13.8%	2.2%	33.8%	33.8%	11.2%
Hispanic	3.4%	4.4%	3.3%	9.2%	1.4%	3.4%
Asian	13.1%	16.4%	25.1%	8.5%	6.8%	18.3%
Native American	0.0%	1.3%	0.0%	0.8%	0.7%	0.4%
Other	0.0%	0.6%	0.5%	2.3%	0.0%	0.5%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

** This table is based on only rent-controlled housing, and not the entire rental housing stock of Berkeley. In order to estimate accurately the percentages for all rental housing in Berkeley (for comparison with 1980 Census data), other rental units, especially public and assisted housing, must be included.

Source: Bay Area Economics, 1988

Table 20
Ethnicity of Head of Household or Respondent
Comparison of Surveys and Census

Citywide	% of Householders or Respondents by Race or Ethnic Group			
	White	Black	Hispanic	Asian
1970 Census	73%	21%		
1980 Census	69%	19%	5%	8%
Keating-LeGates (1984)	85%	14%	4%	13%
BAE Tenants Survey (1988)	66%	11%	3%	18%

Submarket Area 1	% of Householders or Respondents by Race or Ethnic Group			
	White	Black	Hispanic	Asian
1970 Census	94%	2%		
1980 Census	90%	2%	3%	5%
BAE Tenants Survey (1988)	83%	0%	3%	13%

Submarket Area 2	% of Householders or Respondents by Race or Ethnic Group			
	White	Black	Hispanic	Asian
1970 Census	72%	21%		
1980 Census	70%	17%	5%	8%
BAE Tenants Survey (1988)	64%	14%	4%	16%

Submarket Area 3	% of Householders or Respondents by Race or Ethnic Group			
	White	Black	Hispanic	Asian
1970 Census	90%	3%		
1980 Census	82%	3%	4%	12%
BAE Tenants Survey (1988)	69%	2%	3%	25%

Submarket Area 4	% of Householders or Respondents by Race or Ethnic Group			
	White	Black	Hispanic	Asian
1970 Census	42%	54%		
1980 Census	36%	50%	12%	5%
BAE Tenants Survey (1988)	45%	34%	9%	9%

Submarket Area 5	% of Householders or Respondents by Race or Ethnic Group			
	White	Black	Hispanic	Asian
1970 Census	40%	57%		
1980 Census	40%	54%	3%	4%
BAE Tenants Survey (1988)	57%	34%	1%	7%

Note: Census counts Hispanic as a category separate from race.

Note: Census includes rental units not covered by rent control.

Source: 1970 & 1980 Census, Keating-LeGates 1984,

Bay Area Economics, 1988

At first glance, the survey results might be interpreted as showing that the loss of Black renter households has continued through the 1980s, since the survey shows only 11 percent Black households (as classified by ethnicity of respondent). However, rent-controlled units do not constitute all of Berkeley rental housing; a major component of the rental stock not covered by rent control is federally-assisted Section 8 units, and over 80 percent of these units contain Black households. When the rent-controlled units and Section 8 units are combined, the proportion of Black renter households increases to over 16 percent. Given the margins of error for the survey results (see Appendices) and the number of rental units unaccounted for (such as co-ops, other assisted housing, and unregistered units), it is not possible to state that a significant change in the proportion of Black renter households has occurred since 1980. In addition, the change since 1980 in the total count (rather than proportion) of Black rental households cannot be determined from comparison of the survey results and the 1980 Census.

The other noteworthy difference shown in racial mix between the 1980 Census and the survey respondents is the higher proportion of Asians in all areas in the survey responses. An increase appears to be confirmed by comparison of the BAE survey and the 1984 survey conducted by the Baar-LeGates group. Submarket Area 3, which has the largest proportion of Asians, also shows the largest percentage differences in this group between the 1980 Census and the BAE survey. If other rental housing were factored in, the increase since 1980 might appear to be less than shown here, but since it appears so large in the comparisons here it almost certainly represents a real trend.

There appears to be little difference between the 1980 Census and the survey respondents in the relative proportions of Whites and Hispanics, but due to differences in the way of delineating these groups (in the Census, Hispanics are not a separate racial group, but are included as part of the other racial groups), and since the rent-controlled stock does not include all rental units, it is not possible to positively identify any trends. Comparison to the Baar-LeGates 1984 survey, which was of rent-controlled units only, seems to indicate little change in the proportions of these group over time.

The distribution of ethnicity of respondents by their household size is shown in Table 21. It appears that citywide, White respondent households tend to be smaller than either Black or Asian respondent households. At the submarket area level there are some divergences from the Citywide pattern. The White distributions are similar across all submarket areas, and the Black distributions are similar in submarket areas where they are well-represented, but the Asian distribution pattern varies widely by submarket area. In Submarket Areas 1, 3, and 5, the Asian respondent households tend to be small, but in Submarket Area 4, and to a lesser degree Submarket Area 2, they tend to be somewhat larger. However, these distributions of Asian respondent households are based on less than 30 cases in Submarket Areas 1, 2, 4, and 5, so the degree of difference between submarket areas should be treated with caution. Citywide, there is a

Table 21
Household Size by Ethnicity of Respondent

Citywide *		Ethnicity		
Number of Persons per Household		White	Black	Asian
1		52.6%	44.2%	42.9%
2		34.8%	37.7%	36.3%
3		8.3%	9.6%	10.8%
4 or more		4.3%	8.5%	10.0%
Percent Down **		100.0%	100.0%	100.0%
Percents Across **		65.9%	11.2%	18.7%

Submarket Area 1		Ethnicity		
Number of Persons per Household		White	Black	Asian
1		55.2%		52.2%
2		31.5%		28.1%
3		7.0%		8.7%
4 or more		6.3%		13.0%
Percent Down		100.0%	0.0%	100.0%
Percents Across		83.1%	0.0%	13.4%

Submarket Area 2		Ethnicity		
Number of Persons per Household		White	Black	Asian
1		53.0%	31.8%	11.5%
2		35.0%	40.9%	42.3%
3		7.0%	9.1%	19.2%
4 or more		5.0%	18.2%	26.9%
Percent Down		100.0%	100.0%	100.0%
Percents Across		63.7%	14.0%	16.6%

Submarket Area 3		Ethnicity		
Number of Persons per Household		White	Black	Asian
1		46.8%	75.0%	51.1%
2		37.8%	25.0%	38.2%
3		9.8%	0.0%	8.5%
4 or more		4.0%	0.0%	4.3%
Percent Down		100.0%	100.0%	100.0%
Percents Across		68.3%	2.2%	25.7%

Submarket Area 4		Ethnicity		
Number of Persons per Household		White	Black	Asian
1		53.4%	37.2%	18.2%
2		32.8%	39.5%	9.1%
3		8.9%	16.3%	27.3%
4 or more		8.9%	7.0%	45.5%
Percent Down		100.0%	100.0%	100.0%
Percents Across		45.3%	33.8%	8.8%

Submarket Area 5		Ethnicity		
Number of Persons per Household		White	Black	Asian
1		62.4%	46.0%	40.0%
2		28.2%	38.0%	40.0%
3		7.1%	10.0%	10.0%
4 or more		2.4%	6.0%	10.0%
Percent Down		100.0%	100.0%	100.0%
Percents Across		57.4%	33.8%	8.8%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

** In all tables of cross-tabulations, "percent down" is the total for each column category. "Percents across" are the percentages each column category represents of the total distribution of the column variable.

Source: Bay Area Economics, 1988

slightly higher proportion of Asian respondent households of 4 or more persons than there is among the whole population.

Due to the small numbers of Hispanic, Native Americans and Other respondents, it is not statistically valid to state trends among these subgroups by any category breakdown. It is possible to do this crosstabulation and other crosstabulations only for the respondent. In most cases, the respondent characteristics represent the nature of the entire household, but caution should be taken whenever this assumption is made.

When the ethnicity of respondents is broken down by age category (Table 22) some important differences between the groups emerge. The distribution of White respondents through the age groups is similar to the general respondent distribution, but the Black respondents tend to be older, and the Asian respondents tend to be younger. The major exception to these citywide patterns on the submarket area level is the high proportion of elderly White respondents in Submarket Area 1.

Household Type. Each respondent was asked to specify his or her household as one of the following types:

Household Type	Citywide Weighted Average
1. Person living alone	50.9%
2. Married couple without children	10.5%
3. Married couple with children	7.2%
4. Unmarried couple without children	5.5%
5. Unmarried couple with children	1.5%
6. Single mother with children	5.3%
7. Single father with children	0.9%
8. Related adults other than parents and children	1.9%
9. Unrelated persons other than couples	15.8%
10. Other	0.9%

This list shows the wide range of rental household types in Berkeley. The largest single household type is persons living alone, constituting about half of all households in rent-controlled units citywide and between 40 and 60 percent in all submarket areas (see Table 23). The next largest category is unrelated persons other than couples. This category includes college students and others sharing rental units for economic or lifestyle-related reasons. There are also noteworthy percentages of married couples with children, married couples without children, unmarried couples with children, and single mothers with children.

There is considerable variation between submarket areas in the proportion of households of single mothers with children. This category makes up 20.7 percent and 11.2 percent of the households in Submarket Areas 4 and 5 respectively. Elsewhere the percentage does not exceed 6 percent. In Submarket Area 3, over 20 percent of the households are in the unrelated persons other than

Table 22
Age of Respondent by Ethnicity of Respondent

Citywide Distribution *		Ethnicity		
Age		White	Black	Asian
18 to 24		13.8%	7.9%	39.7%
25 to 34		39.1%	26.2%	44.8%
35 to 54		38.3%	36.7%	11.1%
55 to 64		4.3%	11.4%	1.2%
65 and over		4.4%	17.8%	3.2%
Percent Down		100.0%	100.0%	100.0%
Percents Across		66.9%	10.5%	18.4%

Submarket Area 1		Ethnicity		
Age		White	Black	Asian
18 to 24		5.0%		34.8%
25 to 34		43.6%		30.4%
35 to 54		32.9%		30.4%
55 to 64		5.0%		4.3%
65 and over		13.8%		0.0%
Percent Down		100.0%		100.0%
Percents Across		62.8%	0.0%	13.6%

Submarket Area 2		Ethnicity		
Age		White	Black	Asian
18 to 24		11.1%	15.0%	7.7%
25 to 34		41.4%	25.0%	68.2%
35 to 54		36.4%	40.0%	11.5%
55 to 64		6.1%	10.0%	3.8%
65 and over		2.0%	10.0%	7.7%
Percent Down		100.0%	100.0%	100.0%
Percents Across		64.3%	13.0%	16.9%

Submarket Area 3		Ethnicity		
Age		White	Black	Asian
18 to 24		19.8%	0.0%	51.1%
25 to 34		35.7%	66.7%	40.0%
35 to 54		36.5%	33.3%	6.7%
55 to 64		4.0%	0.0%	0.0%
65 and over		4.0%	0.0%	2.2%
Percent Down		100.0%	100.0%	100.0%
Percents Across		69.6%	1.7%	24.9%

Submarket Area 4		Ethnicity		
Age		White	Black	Asian
18 to 24		3.4%	4.8%	0.0%
25 to 34		44.8%	21.4%	18.2%
35 to 54		43.1%	28.6%	54.5%
55 to 64		6.9%	21.4%	9.1%
65 and over		1.7%	23.8%	18.2%
Percent Down		100.0%	100.0%	100.0%
Percents Across		46.0%	33.3%	8.7%

Submarket Area 5		Ethnicity		
Age		White	Black	Asian
18 to 24		6.1%	6.7%	30.0%
25 to 34		42.7%	22.2%	50.0%
35 to 54		46.3%	37.8%	20.0%
55 to 64		2.4%	11.1%	0.0%
65 and over		2.4%	22.2%	0.0%
Percent Down		100.0%	100.0%	100.0%
Percents Across		58.6%	32.1%	7.1%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 23
Distribution of Units by Household Type

Household Type	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Person Living Alone	55.9%	44.9%	50.0%	42.2%	59.5%	50.9%
Married Couple Without Children	12.3%	14.1%	10.3%	9.6%	6.3%	10.5%
Married Couple with Children	7.8%	10.9%	7.1%	10.4%	2.4%	7.2%
Unmarried Couple without Children	5.6%	8.3%	4.9%	5.2%	4.0%	5.5%
Unmarried Couple with Children	1.1%	1.9%	1.6%	2.2%	0.8%	1.5%
Single Mother with Children	2.8%	5.1%	2.2%	20.7%	11.9%	5.3%
Single Father with Children	0.0%	2.6%	0.5%	0.7%	0.8%	0.9%
Related Adults Other Than Parents and Children	1.7%	1.9%	1.1%	3.0%	0.8%	1.3%
Unrelated Persons Other Than Couples	11.7%	9.6%	21.7%	5.9%	11.1%	15.8%
Other	1.1%	0.6%	0.5%	0.0%	2.4%	0.9%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

couples category; this category makes up less than 12 percent of the units in all other submarket areas.

The overall distribution of household types is generally the same within the age groups, with some noteworthy exceptions (Table 24). The proportion of persons living alone increases with age, and the proportion of households of unrelated persons other than couples decreases with age (being in fact much more common among the 18 to 24 year-old age group than among any other group). The 35 to 54 year-old age category has a very high proportion of single mothers (in fact, over 70 percent of the single mothers citywide are in this age category).

There are also differences in the distribution of household type as sorted by ethnic group of the respondent (Table 25). Most noteworthy are the high percentage of Black households which are single mothers with children (24.4 percent), and the high percentage of Asian respondents living in households of unrelated persons other than couples (29 percent). Also, a very low percentage (2.3 percent) of Black respondents are in households of unrelated persons other than couples. Since the Black respondents tend to be older, this pattern seems related to the age distribution of Black respondents.

Household Income. As shown in Table 26, the citywide mean household income is approximately \$20,000. Household income by submarket area varies as expected, with the highest incomes in North Berkeley, and the lowest incomes in West and South Berkeley. Submarket Area 1 has the highest mean income, about \$28,000, with the lowest mean, about \$15,500, being in Submarket Area 4. The mean household income in Submarket Area 5 is also below the citywide mean of \$20,000, at approximately \$17,700.

When household income of survey respondents is compared to 1980 Census data for all Berkeley rental units (see Table 27) and the 1984 Baar-LeGates survey, the citywide means are about the same after adjustment for inflation. In Submarket Area 4, however, the survey mean is considerably lower. Comparisons of income from the Census must be considered in light of the fact that various sorts of assisted housing occupied by lower-income households are included in the Census but not in the sample of rent-controlled housing, so the citywide mean income of all renters in 1987 may be somewhat lower than the 1987 figure for survey respondents presented here.

Table 28 presents respondent household income distribution according to household size categories. Although there appears to be some correlation of income to household size, with larger households having higher incomes, the pattern is not consistent. The diversity of household types may be a factor in the lack of overall trend here; for instance, some large households may have several income sources, while others may be groups of students or households with children.

When total household income is categorized by ethnicity of respondent (Table 29), considerable differences appear between the three major ethnic groups. Almost half the Black and Asian

Table 24

Household Type by Age of Respondent

Citywide *

Household Type	Age				
	18 to 24	25 to 34	35 to 54	55 to 64	65 and older
Person Living Alone	36.7%	49.2%	52.4%	67.5%	69.8%
Married Couple, No Children	3.5%	12.3%	10.9%	14.5%	21.0%
Married Couple w Children	0.2%	9.2%	9.6%	3.4%	1.8%
Unmarried Couple, No Children	6.8%	7.6%	3.5%	6.4%	0.0%
Unmarried Couple w Children	0.0%	1.4%	2.5%	2.7%	0.0%
Single Mother w Children	2.2%	2.4%	11.6%	2.8%	0.6%
Single Father w Children	0.0%	0.3%	2.7%	0.0%	0.6%
Other Related Adults	0.2%	2.7%	0.8%	0.0%	2.9%
Other Unrelated Persons	49.8%	13.5%	5.2%	2.7%	1.0%
Other	0.7%	1.3%	0.8%	0.0%	2.3%
Percent Down	100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across	18.4%	38.3%	33.1%	4.7%	5.5%

* Citywide percentages are weighted based on the total number of rent-controlled units in each Submarket Area.

Source: Bay Area Economics, 1988

Table 25

Household Type by Ethnicity of Respondent

Citywide *

Household Type	Ethnicity		
	White	Black	Asian
Person Living Alone	53.0%	44.7%	44.2%
Married Couple, No Children	12.1%	5.7%	6.7%
Married Couple w Children	5.5%	5.3%	11.0%
Unmarried Couple, No Children	6.1%	5.1%	5.6%
Unmarried Couple w Children	1.6%	2.6%	0.0%
Single Mother w Children	4.4%	24.4%	0.4%
Single Father w Children	0.8%	2.6%	0.7%
Other Related Adults	1.0%	3.9%	2.5%
Other Unrelated Persons	14.7%	2.3%	29.0%
Other	0.9%	3.3%	0.0%
Percent Down	100.0%	100.0%	100.0%
Percents Across	66.5%	11.0%	18.3%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 26
Distribution of Units by Total Household Income

Income	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Less Than \$5,000	3.4%	8.3%	12.5%	14.0%	14.3%	11.2%
\$5,000 to \$9,999	9.1%	14.1%	17.0%	23.3%	22.1%	16.9%
\$10,000 to \$14,999	13.6%	24.4%	15.9%	20.9%	15.0%	17.4%
\$15,000 to \$19,999	10.8%	7.7%	9.1%	16.3%	12.1%	9.8%
\$20,000 to \$24,999	13.6%	11.5%	14.8%	11.6%	10.7%	13.2%
\$25,000 to \$29,999	13.6%	12.2%	6.8%	6.2%	7.9%	8.7%
\$30,000 to \$39,999	17.0%	12.2%	13.6%	3.9%	11.4%	12.9%
\$40,000 to \$49,999	8.5%	4.5%	6.8%	1.6%	4.3%	5.9%
\$50,000 to \$59,999	5.1%	2.6%	1.1%	0.8%	2.1%	2.0%
\$60,000 to \$74,999	2.3%	2.6%	2.3%	0.8%	0.0%	1.9%
\$75,000 to \$99,999	2.3%	0.0%	0.0%	0.8%	0.0%	0.2%
\$100,000 or more	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%
% Total by Area	100%	100%	100%	100%	100%	100%
Mean **	\$28,026	\$21,025	\$20,369	\$15,562	\$17,696	\$20,545

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

** Means are derived assuming each response is at the midpoint of its income category.

Source: Bay Area Economics, 1988

Table 27
Mean Income, Renter Households
1988 Constant Dollars

	Submarket Area					Citywide
	One	Two	Three	Four	Five	
1980 Census	\$30,038	\$20,600	\$18,614	\$20,023	\$19,641	\$20,719
Baar-Keating (1984)	--	--	--	--	--	\$20,500
BAE Tenants Survey	\$28,026	\$21,025	\$20,369	\$15,562	\$17,696	\$20,545

Note: Values for survey responses (Baar, BAE) are derived from income interval questions; hence these numbers are approximations. BAE citywide income is a weighted average.

Source: 1980 Census, Baar-LeGates 1984, Bay Area Economics, 1988

Table 28
Household Income by Household Size
Citywide *

Income	Number of Persons			
	1	2	3	4 or more
Less than \$10,000	30.3%	26.6%	26.1%	23.2%
\$10,000 to \$19,999	32.0%	22.1%	26.2%	22.3%
\$20,000 to \$29,999	21.2%	20.7%	21.7%	31.0%
\$30,000 to \$39,999	11.8%	14.9%	14.9%	6.2%
\$40,000 and higher	4.7%	15.7%	11.1%	17.3%
Percent Down	100.0%	100.0%	100.0%	100.0%
Percents Across	49.4%	35.7%	9.6%	5.3%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 29
Household Income by Ethnicity of Respondent
Citywide *

Income	Race or ethnicity		
	White	Black	Asian
Less than \$10,000	19.8%	47.0%	45.6%
\$10,000 to \$19,999	28.0%	26.0%	27.0%
\$20,000 to \$29,999	23.6%	17.2%	14.5%
\$30,000 to \$39,999	16.7%	6.1%	6.0%
\$40,000 and higher	11.9%	3.6%	6.9%
Percent Down	100.0%	100.0%	100.0%
Percents Across	66.8%	11.5%	17.7%

* Citywide percentages are weighted based on the total number of rent-controlled units in each Submarket Area.

Source: Bay Area Economics, 1988

respondents report household income levels below \$10,000, while only about 20 percent of the White responses are in this category. Conversely, in categories above \$20,000, the proportion of Whites is greater than that of the other two groups.

Household Employment Characteristics. The survey asked respondents to count all members of their households as they fit into various occupational categories. From this information it is possible to construct a distribution by employment status of all the persons in respondent households, and a distribution of the households by whether or not they contain at least one of a given group. The categories used, and the citywide percentage of people in responding households in each category are as follows:

Employment Status	Citywide Weighted Average
1. Employed full-time, not a student	40.6%
2. Employed part-time, not a student	8.8%
3. Unemployed, looking for work	4.4%
4. Retired	6.0%
5. Full-time student with a job	21.3%
6. Full-time student without a job	12.6%
7. Homemaker	3.2%
8. Part-time student with a job	2.8%
9. Part-time student without job	0.4%

This distribution is presented by submarket area in Table 30.

Citywide, as might be expected, Berkeley shows a high percentage of students in the renter population, and a high percentage of households with students (approximately one-third of the respondent households citywide contain one or more full-time students). As could be expected, these students and student households represent a higher proportion in the area nearest the University (Submarket Area 3). Conversely, retired persons represent a smaller proportion in this area than elsewhere, with the highest concentration of retired persons and households with retired persons in Submarket Areas 1 and 5. Unemployed persons and part-time workers who are not students are slightly more concentrated in Submarket Areas 4 and 5. One intriguing pattern is the low proportion of full-time workers and households with a full-time worker; across all submarket areas, only slightly more than half the households contain a full-time worker. Moreover, there are very few full-time homemakers in Berkeley rent-controlled households.

Although the Baar-LeGates survey of 1984 used slightly different categories, and considered respondents only, the employment status mix appears similar (see Table 31). The proportions of full-time workers, homemakers, and retired persons are very similar. The major differences are in the proportions of students and part-time workers, but much of this difference may be due to non-comparability of categories rather than changes in tenant occupational characteristics since 1984.

Table 30

Distribution of Total Persons in Responding Households by Occupational Status

Occupational Status	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Work Full Time, Not Student	46.7%	41.3%	40.5%	44.6%	35.8%	40.6%
Work Part-Time, Not Student	9.4%	9.4%	7.0%	14.5%	11.4%	8.8%
Unemployed & Looking	5.1%	5.5%	2.3%	8.1%	7.8%	4.4%
Retired	9.1%	5.9%	3.7%	7.5%	10.4%	6.0%
Full time Student with Job	15.9%	15.4%	27.8%	6.5%	16.6%	21.3%
Full-time Student without Job	9.4%	12.6%	15.1%	6.5%	8.8%	12.6%
Homemaker	2.2%	5.5%	1.3%	4.8%	5.7%	3.2%
Part-Time Student with Job	2.2%	3.9%	2.0%	5.9%	3.1%	2.8%
Part-Time Student without Job	0.0%	0.4%	0.3%	1.6%	0.5%	0.4%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 31

Distribution of Respondents by Occupational Status

Baar-Legates Survey, 1984

Occupational Status	Citywide
Employed Full-Time	40%
Employed Part-Time	25%
Student	17%
Unemployed	7%
Retired	6%
Disabled	3%
Housewife	2%
Other	1%
% Total *	100%

* Percents may not add exactly to 100% due to rounding.

Source: Baar-Legates, 1984

Summary of Demographic Characteristics of Tenants in Rent-Controlled Units. The above demographic trends show the diversity of tenants in Berkeley rent-controlled housing. There is no one tenant "type" in Berkeley, but generalizations can be made about some categories of tenants, and about where those categories of tenants tend to live.

Berkeley rent-controlled households tend to be small, about half of them being single person households. The persons in respondent households are generally young, are often in households with or consisting of students, and when not living alone, are most often in households of unrelated persons other than couples. Only about 15 percent of the households citywide have children under 18 in them; this percentage is lower in Submarket Area 1 (primarily North Berkeley) and to a lesser degree, in the area near the University (Submarket Area 3). The majority of the respondents are White, but there are significant numbers of Asians, Blacks, and Hispanics. The Asians are relatively young, often live in large households of unrelated persons, and while they are slightly more concentrated in the area around the University than elsewhere, they are present in significant proportions throughout the city. Their proportion of the population appears to be growing. The Blacks represent higher proportions in South and West Berkeley than elsewhere in the city; they are more often middle-aged single mothers, and on average they are older than the other ethnic groups. The proportion of Blacks in rent-controlled housing is much lower than the percentage in all rental housing in 1980, but much of this discrepancy results from the survey's exclusion of non-rent-controlled housing; one large portion of non-rent-controlled housing is Section 8 assisted housing, which is over 80 percent Black. Both the Asians and Blacks tend to have lower incomes than the Whites. The proportion of Hispanics is highest in West Berkeley, but since they are such a small proportion of the total population overall, it is not possible to make other generalizations about them as a group.

CHARACTERISTICS OF THE RENT-CONTROLLED HOUSING STOCK

Many of the basic characteristics of the registered units are discussed above in the section on historically low rents, where the Certified Rents Database is analyzed. Much of the same information regarding unit characteristics was requested from the survey respondents, and, for the most part, the results obtained from the survey are consistent with those derived from the Database. Some differences emerge, however, in the data regarding rental unit type, and the information on number of bedrooms per unit is more complete. Data regarding other types of rooms were also gathered. From these data the total number of rooms per unit is derived, giving a more accurate picture of total unit size, and the number of persons per household is divided by the number of rooms, giving a measure of the relative crowding of units. Respondents were also asked to note if their building has a manager, and if it is owner-occupied, or both.

Type of Unit. The survey requested that the respondents classify their housing unit as one of the following types: house, apartment, room in boarding house, room in residential hotel, or other.

This information is presented in Table 32. Most respondents classify their unit as either a house or an apartment. The other unit-type categories, including rooming houses and miscellaneous unit types which are not separately classified in the population Database, do not appear to constitute a significant percentage overall. The only exception is in the "other" category in Submarket Area 1, which accounts for over 5 percent of the sampled units in this area. These units include backyard cottages and possibly some "in-law" units. The ratio of houses to apartments, however, appears to be somewhat higher among the survey respondents than among all units in the Certified Rents Database (see Table 1; the Database classifies all units as either houses or apartments). This is a result of respondents classifying their units differently than the Database; when the Database classification of respondent units is used rather than the respondent classification (Table 33), the distribution of unit types more closely resembles the distribution for the entire Database. The discrepancy between the survey responses and the Database information may be a result of either respondent or Database misclassification.

Distribution of Units by Size of Building. The grouping of units by size of building is similar in the sample (Table 34) to the overall unit population as listed in the Certified Rents Database (see Table 2). The major difference is in the count of units in single-unit buildings, which are for the most part houses. This discrepancy may relate again to the difference between the sample and Database classification of houses discussed above (see Tables 32 and 33). Overall, though, the same patterns emerge; citywide, well over half (60.7 percent) of the units are in buildings of 5 or more units, and by submarket area, the proportion of units in large buildings is highest in the area surrounding the University (Submarket Area 3). The Baar-LeGates 1984 survey showed similar results citywide. The 1980 Census (Table 35) shows a higher percentage of units in single-unit structures than the survey sample, the Certified Rents Database, or the Baar-LeGates survey, and a lower percentage of units in larger buildings. These may be single-family houses that have never appeared in or have been removed from the rent-controlled stock.

Number of Bedrooms per Unit. Table 36 shows the results regarding distribution of respondent units by number of bedrooms per unit. This table includes all units, not just apartments as in the comparable table (Table 3) for the whole Certified Rents Database. Comparison with Table 3 confirms that a disproportionate share of the units in the Certified Rents Database with missing data on number of bedrooms are studio apartments; the percentage of studio units citywide is only 8.4 percent in the Database, but is 17.3 percent among the survey respondents, even though houses are included in the survey responses (unlike Table 3).

Citywide, the mix shown in the sample shows a preponderance of units (94 percent) being of two bedrooms or less, with the largest proportion being one bedroom units (41.8 percent). Only 6 percent of the units citywide have 3 or more bedrooms. The major difference between submarket areas is the higher proportion of smaller units in Submarket Area 3, particularly the much higher count of studio units. The higher percentage of studio units in this Submarket Area probably relates to the student-oriented rental housing market in the area near the University.

Table 32
Distribution of Units by Unit Type
as Classified by Respondent

Type of Unit	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
House	15.2%	12.2%	4.8%	20.4%	6.7%	8.3%
Apartment/flat	78.8%	86.6%	93.6%	75.2%	90.6%	89.5%
Room-Hotels & Boarders	0.5%	0.0%	1.6%	0.7%	0.7%	1.0%
Other	5.4%	1.2%	0.0%	3.6%	2.0%	1.3%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 33
Distribution of Units by Unit Type
as Classified by Database

Type of Unit	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
House	10.9%	6.7%	3.2%	8.0%	5.3%	5.2%
Apartment	89.1%	93.3%	96.8%	92.0%	94.7%	94.8%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 34**Distribution of Units by Building Size**

Number of units in building	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
1	18.4%	15.9%	7.4%	24.4%	10.1%	11.3%
2	12.1%	17.2%	5.1%	16.3%	15.8%	10.5%
3 to 4	19.5%	19.2%	8.6%	35.8%	34.5%	17.4%
5 to 9	21.3%	21.9%	18.9%	14.6%	23.7%	20.3%
10 to 24	23.0%	19.9%	42.9%	8.9%	13.7%	29.9%
25 to 49	5.7%	6.0%	12.0%	0.0%	2.2%	8.0%
50 and up	0.0%	0.0%	5.1%	0.0%	0.0%	2.5%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 35**Distribution of Units by Building Size**

1980 Census

Number of units in building	Submarket Area					Citywide
	One	Two	Three	Four	Five	
1	34.0%	28.5%	5.3%	29.8%	18.7%	17.6%
2	16.1%	14.0%	7.1%	10.2%	15.2%	11.4%
3 to 4	17.4%	18.0%	11.5%	23.4%	26.5%	17.2%
5 or more	32.5%	39.5%	76.2%	36.6%	39.5%	53.8%
% Total by Area	100%	100%	100%	100%	100%	100%

Source: 1980 Census

Table 36
Distribution of Units by Number of Bedrooms

Number of bedrooms	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
0 (Studio)	13.1%	13.0%	22.2%	10.1%	12.8%	17.3%
1	37.2%	38.9%	42.2%	40.6%	46.6%	41.8%
2	38.3%	43.2%	29.7%	40.6%	37.2%	34.9%
3	8.7%	4.3%	3.8%	8.0%	2.7%	4.4%
4	2.7%	0.6%	0.5%	0.7%	0.0%	0.7%
5 or more	0.0%	0.0%	1.6%	0.0%	0.7%	0.9%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Total Rooms per Unit. The survey also asked respondents for data regarding other types of rooms, including the number and size of bathrooms, and whether they have a separate living room, dining room, kitchen, and den or study. The specific responses to these questions and others regarding unit amenities are presented in the Appendices. Discussed here is the distribution of the total count of rooms derived from the responses to these questions and the data regarding number of bedrooms, in order to get an idea of the sizes of the units. Table 37 presents this distribution. As indicated, the mean unit size citywide is 3.24 rooms. The lowest mean is 3.11 rooms in Submarket Area 3, and the highest is 3.77 rooms in Submarket Area 1. This pattern meshes well with what is known about unit size in these areas as measured by house to apartment ratio and number of bedrooms per unit.

Persons per Room. One measure of the relative crowding in living quarters is the number of persons per room in a unit, with one person or less per room being considered a reasonable density. As shown in Table 38, over half the respondent units in each area have 0.5 persons or less per room. The citywide mean number of persons per room is 0.65, with the highest number being 0.75 in Submarket Area 2, and the lowest being 0.51 in Submarket Area 1. Submarket Area 2 has a relatively high proportion of units with over 1.5 persons per room (7.7 percent). In general, it appears that the proportion of overcrowded rent-controlled units in Berkeley is small. These proportions are similar to those for all rental units in the 1980 Census (see Table 39).

Distribution of Units by Manager and Manager on Site. Table 40 shows the percentage of respondents reporting their buildings as having managers other than owners, and the percentage of the respondent units with managers where the managers reside on site. Citywide, close to half of the respondents report that their building has a manager. The percentage of units reporting managers in Submarket Area 3 (67.6 percent) is more than double that of any other submarket area. This area also has the highest percentage of units in large buildings, which are legally required to have managers.. The lowest proportion of respondents reporting managers (21.9 percent) is in West Berkeley, which is also the submarket area with the lowest proportion of units in buildings of 10 or more units.

Of the respondents reporting managers for their buildings, almost two-thirds citywide report a manager living in their building. This proportion varies greatly by submarket area, from about three-fourths in Submarket Areas 2 and 3, to only one-fourth in Submarket Area 4. These numbers should be considered with caution due to the small number of cases involved in all submarket areas except 3.

Distribution of Units by Owner-Occupancy of Building. Only around 10 percent of the respondents report that their unit is in an owner-occupied building (see Table 41). This percentage was highest in Submarket Area 1 (15.6 percent), and lowest in Submarket Area 4 (5.1 percent).

Table 37
Distribution of Units by Number of Rooms

Number of Rooms	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
1	11.7%	15.4%	19.9%	11.4%	12.4%	16.5%
2	6.1%	7.7%	11.0%	8.3%	9.0%	9.4%
3	19.6%	30.8%	29.8%	29.5%	36.6%	30.2%
4	33.0%	29.5%	23.8%	34.1%	26.2%	26.6%
5	19.6%	14.7%	12.2%	14.4%	13.1%	13.6%
6 or more	10.1%	1.9%	3.3%	2.3%	2.8%	3.5%
% Total by Area	100%	100%	100%	100%	100%	100%
Mean	3.77	3.26	3.11	3.39	3.28	3.24

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 38**Distribution of Units by Number of Persons per Room**

Number of Persons per Room	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
0 to 0.5	67.6%	54.8%	53.3%	52.3%	65.5%	57.1%
0.51 to 1.00	30.7%	35.5%	42.8%	43.8%	27.6%	37.6%
1.01 to 1.50	0.6%	1.9%	1.7%	0.8%	1.4%	1.5%
1.51 or more	1.1%	7.7%	2.2%	3.1%	5.5%	3.8%
% Total by Area	100%	100%	100%	100%	100%	100%
Mean	0.51	0.75	0.64	0.66	0.62	0.65

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 39**Distribution of Units by Number of Persons per Room**

1980 Census

Number of Persons per Room	Citywide *
0 to 0.5	62.9%
0.51 to 1.00	33.5%
1.01 to 1.50	1.9%
1.51 or more	1.7%
% Total by Area	100%

Source: 1980 U.S. Census

Table 40

Distribution of Units by Manager

Manager	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	69.2%	62.8%	29.8%	73.0%	65.3%	48.1%
Yes	26.9%	33.5%	67.6%	21.9%	28.7%	48.2%
Don't Know	3.8%	3.7%	2.7%	5.1%	6.0%	3.7%
% Total by Area	100%	100%	100%	100%	100%	100%

Distribution of Units with Manager by Manager Living on Premises

Manager on Premises	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	42.6%	21.8%	26.4%	75.0%	50.0%	33.3%
Yes	57.4%	78.2%	72.8%	25.0%	47.7%	65.9%
Don't Know	0.0%	0.0%	0.8%	0.0%	2.3%	0.8%
% Total by Area	100%	100%	100%	100%	100%	100%
Number of Responses	47	55	125	28	44	

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 41

Distribution of Units by Owner Living on Premises

Owner on Premises	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	84.4%	89.7%	88.4%	94.2%	88.7%	88.6%
Yes	15.6%	8.5%	9.0%	5.1%	11.3%	9.8%
Don't Know	0.0%	1.8%	2.6%	0.7%	0.0%	1.7%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Summary of Survey Results Regarding Basic Characteristics of the Housing Stock. The survey results regarding the rent-controlled housing stock are generally consistent with information obtained regarding the entire rent-controlled housing stock in Berkeley, as listed in the Certified Rents Database. The stock consists primarily of apartments, and most of these apartments are of two bedrooms or less, and Submarket Area 3, near the University, has the lowest average unit size. The survey confirms an undercount of studio units in the Certified Rents Database. Citywide, almost half the respondents state that their building has a manager, with the percentage being highest in Submarket Area 3, the submarket area with the highest proportion of units in large buildings; two-thirds of the respondents citywide reporting managers for their buildings state that the manager lives in the building, with the proportion highest in Submarket Area 3. Only 10 percent of the respondents citywide report an owner living in their building.

RENT-CONTROLLED HOUSING COSTS

Respondents were asked for information regarding total payment for shelter, including contract rent and additional charges for services not covered under contract rent. In some cases, contract rent includes all services, but often the tenant pays separately for items such as utilities, parking, furniture, and storage. The survey obtained information regarding whether or not respondents paid additional charges, and the amount, if any, paid. From the sum of contract rent and these additional charges a gross rent has been computed for each unit. Since it includes all tenant expenses for a residence, gross rent is a better measure than contract rent for measuring the effective housing costs for a tenant household. For instance, gross rent rather than contract rent is used to compute rent burden, the rent-to-income ratio for a household. This section discusses the contract rents, the additional charges, the computed gross rents for the respondent units, and the rent burdens for the respondent units..

Contract Rent. Contract rent for all responding units is presented in Table 42. The mean contract rent citywide is approximately \$400. Over 60 percent of the respondents citywide are paying less than \$400. The lowest average rents are in Submarket Area 4, where over 60 percent of the units are rented for less than \$300, and the highest are in Submarket Area 1. The overall ranking of submarket areas by average contract rent is the same as that shown for all rental units in the 1980 Census (see Appendices). Distributions from the survey of rents for apartments only and for one-bedroom apartments only are similar to those for all units, with appropriate adjustments downward in the dollar amounts, and are presented in the Appendices.

Additional Charges. The distribution of units by whether or not the tenant pays various charges is presented in Table 43. As shown, most tenants pay gas and electric charges, while few pay for water, parking, furniture, or storage. The gas and electric charges paid by the tenant may or may not include heating.

Table 42

Distribution of Units by Contract Rent

Contract Rent	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Less than \$200	2.3%	1.9%	3.2%	22.0%	15.8%	5.9%
\$200 to \$299	18.4%	28.4%	20.9%	39.4%	32.2%	24.9%
\$300 to \$399	32.8%	35.2%	30.5%	11.4%	23.3%	29.5%
\$400 to \$499	17.2%	14.8%	24.1%	17.4%	15.8%	19.9%
\$500 to \$599	7.5%	11.1%	10.2%	3.8%	7.5%	9.4%
\$600 and higher	21.8%	8.6%	11.2%	6.1%	5.5%	10.5%
% Total by Area	100%	100%	100%	100%	100%	100%
Mean Contract Rent	\$469	\$393	\$424	\$311	\$334	\$402

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 43
Distribution of Units by Whether or Not Tenant Pays
Utilities and Other Additional Charges

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Gas	23.3%	15.3%	33.0%	6.5%	13.2%	24.0%
	76.7%	84.7%	67.0%	93.5%	86.8%	76.0%
% Total by Area	100%	100%	100%	100%	100%	100%
Electricity	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	12.3%	10.2%	17.7%	8.2%	10.3%	14.0%
	87.7%	89.8%	82.3%	91.8%	89.7%	86.0%
% Total by Area	100%	100%	100%	100%	100%	100%
Water	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	79.7%	76.1%	89.3%	61.1%	75.3%	82.1%
	20.3%	23.9%	10.7%	38.9%	24.7%	17.9%
% Total by Area	100%	100%	100%	100%	100%	100%
Off-Street Parking	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	92.1%	85.6%	70.3%	99.2%	96.5%	83.2%
	7.9%	4.4%	29.7%	0.8%	3.5%	16.8%
% Total by Area	100%	100%	100%	100%	100%	100%
Furniture	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	98.3%	98.7%	95.7%	96.0%	93.8%	96.2%
	1.7%	1.3%	4.3%	4.0%	6.2%	3.8%
% Total by Area	100%	100%	100%	100%	100%	100%
Storage	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	96.0%	96.3%	97.9%	97.6%	100.0%	97.7%
	4.0%	3.8%	2.1%	2.4%	0.0%	2.3%
% Total by Area	100%	100%	100%	100%	100%	100%

Note: Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

There are considerable differences between submarket areas regarding tenant payment of utilities and other charges in addition to rent. There is much more variation in payment of gas across submarket areas than electricity. The lowest percentage of persons paying a gas or electric charge is in Submarket Area 3. The relatively low proportion of tenants in Submarket Area 3 who pay gas or electric charges may be due to the presence of more large centrally-heated and centrally-metered buildings.

A low percentage of tenants pay additional fees for water, off-street parking, furniture, or storage. Submarket Area 3 shows less than half as many tenants paying separate water bills (10.7 percent) as any other submarket area. This is probably related to the low proportion of houses and the high proportion of large apartment buildings in this submarket area.

Only about 17 percent of the respondents citywide report paying an additional fee for off-street parking, but the percentage varies widely between submarket areas. The more densely populated area near the University, where on-street parking is less available than in other areas, has a proportion of respondents paying for off-street parking (29.7 percent) over 3 times as high as any other submarket area. In Submarket Area 4, only one respondent reported paying an additional fee for off-street parking. As a general rule, it appears that parking as a chargeable item and proximity to campus are directly related.

Very few respondents report paying a charge for furniture or storage (3.8 percent and 2.3 percent citywide, respectively). There are differences between submarket areas, but these differences are insignificant.

Table 44 shows the average amount charged for these additional items among respondents paying these charges. Gas and electric payments have been combined, since many respondents do not break down these charges, but give only a total combined amount. These numbers are presented with the caveat that with the exception of gas and electric, the means are derived from very small samples, and thus there is a wide margin of error when taking the sample to represent the whole population of tenants of rent-controlled units in Berkeley. (For this reason, the actual number of responses for each type of charge is shown.) There is some variation by submarket area in the average amount paid for gas and electricity, with the highest mean (\$39) being in Submarket Area 4, and the lowest (\$23) being in Submarket Area 3. The overall pattern is probably a function of whether or not this bill includes heat for the unit, and unit size.

Gross Rent. Gross rent, which includes contract rent and all additional charges (including utilities) paid by the household for its living unit, is presented in Table 45. The distribution patterns of gross rents closely follow those of contract rents, but the averages are slightly higher. The citywide mean gross rent is \$436 (as compared to \$402 for contract rent), and about 50 percent of the households pay less than \$400 a month.

Table 44

Average Amounts Paid by Respondent Households for Various Charges
 For households which pay these charges

		Submarket Area					Citywide *
		One	Two	Three	Four	Five	
Gas and Electric Combined	Mean	\$30	\$28	\$23	\$39	\$33	\$27
	Number of Responses	148	142	153	109	126	
Water	Mean	\$20	\$20	\$16	\$20	\$19	\$18
	Number of Responses	33	37	17	43	32	
Off-Street Parking	Mean	\$21	\$16	\$28	\$16	\$24	\$24
	Number of Responses	13	7	54	2	5	
Furniture	Mean	\$100	\$35	\$44	\$82	\$53	\$51
	Number of Responses	2	3	8	5	9	
Storage	Mean	\$38	\$35	\$53	\$45		\$39
	Number of Responses	5	6	4	3	0	

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 45

Distribution of Units by Gross Rent

Gross Rent	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Less than \$200	1.2%	1.3%	2.3%	13.0%	14.3%	4.6%
\$200 to \$299	13.0%	22.1%	15.4%	30.6%	21.1%	18.2%
\$300 to \$399	31.5%	28.2%	26.3%	24.1%	27.8%	27.3%
\$400 to \$499	23.5%	24.2%	26.3%	16.7%	16.5%	23.5%
\$500 to \$599	9.9%	11.4%	17.1%	7.4%	12.0%	14.0%
\$600 and higher	21.0%	12.8%	12.6%	8.3%	8.3%	12.5%
% Total by Area	100%	100%	100%	100%	100%	100%
Mean	\$492	\$427	\$458	\$356	\$375	\$436

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

The responses to the survey indicate a considerable gross rent differential between the submarket areas. The average gross rents, by Submarket area in ascending order, are \$356 in Submarket Area 4, \$375 in Submarket Area 5, \$427 in Submarket Area 2, \$458 in Submarket Area 3, and \$492 in Submarket Area 1. This gradient appears a function of location and income rather than unit size: while the highest rents are in Submarket Area 1, which also has the largest average unit size (as measured by number of rooms), the next highest average gross rent is in Submarket Area 3, which has the smallest average unit size. Submarket Area 4 has the lowest average gross rent, but has the second largest average unit size. Proximity to campus appears to be so important that, historically, tenants have been willing to pay a premium for units in its vicinity. Since rent control has effectively fixed the rent distribution based on market forces in effect at the time of its adoption, changes in locational desirability since 1980 have theoretically had little effect on relative rent levels within the Berkeley rent-controlled market.

Rent Burden. A primary goal of rent control is to keep rental housing affordable (i.e., prevent large increases in the percentage of total household income that goes toward shelter). An acceptable level of rent to income ratio, or rent burden, is 30 percent, according to federal housing policy. In other words, gross rent should not account for more than 30 percent of a household's total income. Table 46 presents the distribution of rent burden by submarket area and citywide. Citywide, just over one-third of the respondent households pay 30 percent or more of their income toward rent. Respondent households in Submarket Area 1 have the lowest average rent burden, with almost 45 percent of the households paying less than 20 percent of their income toward rent. Otherwise, there is not much difference between the submarket areas in terms of the proportion of tenant households paying 30 percent or more of their income to rent. However, while a majority of the tenants report low rent burdens by federal standards, a significant minority report high rent burdens. This proportion of high rent burdens, though, is in part due to the nature of the Berkeley renter population; a large proportion of renters are students with low incomes.

The 1980 Census does not use the 30 percent figure, but other comparisons by category are still possible. The 1980 Census data (see Table 47) show a higher rent burden among tenant households in all rental units in Berkeley in 1980 than among survey respondent households. The percentage paying over 35 percent of their income to rent among all rental households in the 1980 Census was 42.2 percent; the same figure for the rent-controlled sample in 1988 is 26.7 percent. On the other end of the scale, in 1980, 29.6 percent of all renter households paid less than 20 percent of their income toward rent; in 1988, 38.6 percent of the renter households in rent-controlled units pay less than 20 percent of their income toward rent. While this comparison might seem to suggest that rent-control has effectively decreased the amount that the average tenant household pays for shelter, the exclusion of assisted and other exempt rental housing means that the two sets of data are not directly comparable. Nevertheless, the lower rent burden among survey respondents as compared with all 1980 tenants indicates some possible protection from excessive rent burdens among tenants in rent-controlled units.

Table 46**Distribution of Households by Rent Burden**

Rent Burden	Submarket Area					Citywide *
	1	2	3	4	5	
Less than 20%	44.7%	38.5%	38.8%	32.6%	36.3%	38.6%
20 to 24 percent	13.2%	8.5%	14.4%	12.0%	20.4%	14.1%
25 to 30 percent	12.5%	15.4%	11.5%	18.5%	8.0%	12.0%
30.1 to 34.9 percent	11.8%	7.7%	9.4%	6.5%	6.2%	8.6%
35 to 49 percent	9.2%	18.5%	10.8%	18.5%	10.6%	12.4%
50 percent or more	8.6%	11.5%	15.1%	12.0%	18.6%	14.3%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 47**Distribution of Households by Rent Burden**

1980 Census

Rent Burden	Submarket Area					Citywide
	One	Two	Three	Four	Five	
Less than 20%	35.2%	32.2%	24.1%	35.1%	33.6%	29.6%
20 to 24 percent	13.4%	11.2%	9.5%	12.2%	11.8%	10.9%
25 to 34 percent	17.6%	19.0%	17.5%	13.0%	15.7%	17.2%
35 percent or more	33.8%	37.7%	48.9%	39.6%	38.9%	42.2%
% Total by Area	100%	100%	100%	100%	100%	100.0%

Source: 1980 Census

Table 48, which shows the distribution of rent burden by income for the entire city, shows that as income increases, rent burden decreases. This pattern is consistent across all submarket areas (see Appendices). Among those households with incomes of less than \$10,000, less than 10 percent have rent burdens of 30 percent or less. For households with incomes of \$30,000 and above, less than 2 percent pay more than 30 percent of their income as rent.

As shown in Table 49, White respondent households tend have a lower rent burden than Black or Asian households. Thirty-four percent of the White respondent households pay more than 30 percent of their income to rent, while the percentages for Black and Asian households paying more than this ratio are 39.4 percent and 42.8 percent respectively. The major difference between ethnic groups is the percent of households paying less than 20 percent of their income to rent. Among White households, this percentage is 41.9; among Black households, 25.7; among Asian households, 28.8.

Rent burden shows no consistent overall relationship to length of tenure (see Table 50). Among those living in their units 15 months or less, there is a somewhat higher proportion of those with a rent burden of 50 percent or more, and among those living in their units from 6 to 10 years there is a higher proportion with a rent burden of less than 20 percent. Overall, though, no consistent pattern emerges in this crosstabulation.

Summary of Rents and Rent Burdens. There are differences between submarket areas in their rent levels, with the University area and the hill areas having higher rents. The distribution of rent burden is fairly consistent across submarket areas, with the exception of a large proportion of low rent burdens in Submarket Area 1. Citywide, almost two-thirds of the respondent households pay 30 percent or less of their income to rent, thus having acceptable rent burdens according to HUD standards. Although this means that over one-third of the respondent households have unacceptable rent burdens by HUD standards, many Berkeley renters are students who may underestimate their real income (by excluding scholarships, money from parents, and other miscellaneous income), so it is not clear how many households have a truly unacceptable rent burden. Household income has a very strong inverse relationship with rent burden; the lowest-income households tend to have the highest rent burdens.

Table 48
Rent Burden by Household Income

Citywide *	Rent Burden	Income					
		Less than \$10,000	\$10,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 and higher
		1.3%	11.2%	50.8%	83.5%	79.6%	95.5%
Less than 20%		2.8%	16.7%	24.2%	10.4%	13.0%	1.3%
25 to 30 percent		3.6%	21.8%	15.1%	3.9%	5.5%	3.2%
30.1 to 34.9 percent		2.1%	20.1%	7.9%	1.4%	1.0%	0.0%
35 to 49 percent		26.5%	23.2%	1.8%	0.4%	1.0%	0.0%
50 percent or more		63.6%	7.1%	0.2%	0.4%	0.0%	0.0%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		19.0%	29.4%	25.5%	14.7%	6.6%	4.8%

* Citywide percentages are weighted based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 49
Rent Burden by Ethnicity of Respondent

Citywide *	Rent Burden	Ethnicity		
		White	Black	Asian
		41.9%	25.7%	28.8%
Less than 20%		11.8%	28.0%	18.1%
20 to 24 percent		12.4%	7.0%	10.3%
25 to 30 percent		8.7%	2.0%	13.1%
30.1 to 34.9 percent		12.9%	16.5%	10.5%
35 to 49 percent		12.4%	20.9%	19.2%
50 percent or more		100.0%	100.0%	100.0%
Percent Down		72.2%	10.2%	14.0%
Percents Across				

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 50

Rent Burden by Tenure of Respondent

Citywide *	Date of Occupancy				
	Rent Burden	May 1978 and earlier	June 1978 to May 1984	June 1983 to May 1987	June 1987 to present
Less than 20%		37.5%	53.6%	37.7%	27.1%
20 to 24 percent		15.8%	10.3%	12.7%	17.0%
25 to 30 percent		18.8%	10.8%	13.7%	8.5%
30.1 to 34.9 percent		7.5%	5.3%	10.5%	9.2%
35 to 49 percent		8.7%	12.3%	12.8%	14.8%
50 percent or more		11.7%	7.7%	12.5%	23.4%
Percent Down		100.0%	100.0%	100.0%	100.0%
Percents Across		11.7%	20.6%	41.0%	26.7%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

TENANT MOBILITY AND METHODS OF FINDING HOUSING

Another aspect of the tenant profile is tenant mobility. From time to time, tenants have a need or desire to move due to changing lifestyles, household sizes, career changes, or a multitude of other reasons. One criticism of rent control ordinances has been that it restricts tenant mobility, with tenants tending to stay in rent-controlled units longer, thereby making it more difficult for potential new tenants to find housing. In Berkeley, where there is always a constant influx of new college students searching for housing, an increased tendency of tenants not to move could exacerbate an already difficult housing search for these students and other potential incoming residents. Also, in a tight housing market, rental unit availability may be communicated through an informal system which is not easily accessed by certain groups, especially newcomers to the area. In order to ascertain the nature of tenant mobility among renters in Berkeley rent-controlled units, the survey requested information regarding respondents' length of residence at their current address, their previous residence location, and the means used to find their current residence.

Length of Tenure. Survey results indicate a high level of tenant mobility among respondents in rent-controlled households in Berkeley. Table 51 shows that almost one-third of the respondents moved into their current unit within the last fifteen months. Submarket Area 3 has the highest proportion of tenants who have lived in their current unit for fifteen months or less, which is consistent with the large student population in this submarket area. In every submarket area, over half the respondents moved into their units within approximately the last five years (since June 1, 1983); the proportion is highest, at over three-fourths, in Submarket Area 3. Citywide, about 70 percent of the respondents report moving in the last five years. Submarket Area 4 has the highest proportion of those who have lived in their units ten years or more (since before June 1978), about one-fourth, and additionally has the highest percentage, 8 percent, of those who have been in their unit 20 years or more (since before June 1968). The percentage of respondents in their units 20 years or more does not exceed 3 percent in any other submarket area.

The tenancy of the respondents is longer on average than that of the Census householders in 1980 (see Table 52). Forty-four percent of the Census householders had moved within the previous 15 months, as compared to 30 percent of the survey respondents. The proportion of tenants who have lived in their units approximately one to five years and approximately five to ten years are somewhat higher among survey respondents. These changes may seem to reflect an effect of rent control, but given the larger context and complexities of the housing market, where the population is aging (see discussion above of differences in age between 1980 and the survey), and the cost of home ownership in Berkeley and the Bay Area is high, changes in length of tenancy cannot necessarily be attributed to rent-control. In any case, mobility still appears quite high.

When the tenure of the respondents is broken out by age (Table 53), a strong association between age and length of tenure appears, with longer tenure consistently associated with older age groups across all submarket areas. When tenure is analyzed by ethnic group (Table 54), there are some variations between the ethnic groups. Black respondents appear to have slightly longer tenure

Table 51
Distribution of Respondents by Tenure

Date of Occupancy	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
May 1968 and earlier	1.8%	1.9%	0.6%	8.3%	3.6%	1.8%
June 1968 to May 1978	13.2%	8.4%	8.3%	14.2%	10.0%	9.4%
June 1978 to May 1983	29.9%	20.6%	14.4%	15.8%	21.4%	18.4%
June 1983 to May 1987	31.7%	44.5%	41.1%	35.8%	38.6%	40.2%
June 1987 to September 1988	23.4%	24.5%	35.6%	25.8%	26.4%	30.2%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 52
**Distribution of Heads of Household
by Tenure**
1980 Census

Date of Occupancy	Citywide
1959 and earlier	3.1%
1960-1969	6.3%
1970-1974	10.2%
1975-1978	36.2%
1979-March 1980	44.1%
% Total	100%

Source: 1980 Census

Table 53
Tenure of Respondent by Age of Respondent

Citywide *		Age of Respondent				
Date of Occupancy		18 to 24	25 to 34	35 to 54	55 to 64	65+
May 1968 and earlier		0.0%	0.0%	1.5%	9.8%	17.6%
June 1968 to May 1978		0.7%	1.3%	18.2%	20.9%	35.6%
June 1978 to May 1983		0.3%	17.2%	24.2%	29.8%	40.4%
June 1983 to May 1987		44.7%	46.0%	39.6%	23.1%	3.5%
June 1987 to September 1988		54.3%	35.6%	16.5%	16.4%	2.8%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		18.7%	39.4%	32.8%	4.5%	4.7%
Submarket Area 1		Age of Respondent				
Date of Occupancy		18 to 24	25 to 34	35 to 54	55 to 64	65+
May 1968 and earlier		0.0%	0.0%	0.0%	14.3%	12.5%
June 1968 to May 1978		0.0%	1.4%	24.0%	14.3%	37.5%
June 1978 to May 1983		6.7%	20.8%	40.0%	14.3%	50.0%
June 1983 to May 1987		20.0%	48.6%	26.0%	26.6%	0.0%
June 1987 to September 1988		73.3%	29.2%	10.0%	26.6%	0.0%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		9.4%	45.0%	31.3%	4.4%	10.0%
Submarket Area 2		Age of Respondent				
Date of Occupancy		18 to 24	25 to 34	35 to 54	55 to 64	65+
May 1968 and earlier		0.0%	0.0%	1.9%	0.0%	40.0%
June 1968 to May 1978		5.6%	1.5%	17.0%	0.0%	20.0%
June 1978 to May 1983		0.0%	13.8%	30.2%	50.0%	20.0%
June 1983 to May 1987		50.0%	53.0%	37.7%	37.5%	20.0%
June 1987 to September 1988		44.4%	31.8%	13.2%	12.5%	0.0%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		12.0%	44.0%	35.3%	5.3%	3.3%
Submarket Area 3		Age of Respondent				
Date of Occupancy		18 to 24	25 to 34	35 to 54	55 to 64	65+
May 1968 and earlier		0.0%	0.0%	2.0%	0.0%	0.0%
June 1968 to May 1978		0.0%	1.5%	19.6%	40.0%	40.0%
June 1978 to May 1983		0.0%	19.7%	15.7%	20.0%	50.0%
June 1983 to May 1987		46.0%	39.4%	45.1%	20.0%	0.0%
June 1987 to September 1988		54.0%	39.4%	17.6%	20.0%	0.0%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		28.2%	37.3%	26.6%	2.6%	2.6%
Submarket Area 4		Age of Respondent				
Date of Occupancy		18 to 24	25 to 34	35 to 54	55 to 64	65+
May 1968 and earlier		0.0%	0.0%	4.9%	20.0%	45.5%
June 1968 to May 1978		0.0%	2.3%	17.1%	33.3%	27.3%
June 1978 to May 1983		0.0%	11.4%	22.0%	13.3%	18.2%
June 1983 to May 1987		60.0%	43.2%	39.0%	20.0%	9.1%
June 1987 to September 1988		40.0%	43.2%	17.1%	13.3%	0.0%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		4.3%	37.8%	35.3%	12.9%	8.5%
Submarket Area 5		Age of Respondent				
Date of Occupancy		18 to 24	25 to 34	35 to 54	55 to 64	65+
May 1968 and earlier		0.0%	0.0%	0.0%	25.0%	20.0%
June 1968 to May 1978		0.0%	0.0%	14.5%	12.5%	40.0%
June 1978 to May 1983		0.0%	14.0%	29.1%	37.5%	30.0%
June 1983 to May 1987		36.4%	54.0%	38.4%	12.5%	0.0%
June 1987 to September 1988		63.6%	32.0%	20.0%	12.5%	10.0%
Percent Down		100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		8.2%	37.3%	41.0%	6.0%	7.5%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 54
Tenure of Respondent by Ethnicity of Respondent

Citywide *		Ethnicity		
		White	Black	Asian
Date of Occupancy				
May 1968 and earlier		0.9%	10.2%	0.0%
June 1968 to May 1978		11.6%	10.7%	1.8%
June 1978 to May 1983		21.5%	15.6%	9.4%
June 1983 to May 1987		36.2%	38.0%	49.0%
June 1987 to September 1988		29.8%	25.5%	39.8%
Percent Down		100.0%	100.0%	100.0%
Percents Across		66.1%	11.0%	18.4%
Submarket Area 1		Ethnicity		
Date of Occupancy		White	Black	Asian
May 1968 and earlier		2.2%		0.0%
June 1968 to May 1978		14.2%		5.0%
June 1978 to May 1983		32.8%		15.0%
June 1983 to May 1987		32.1%		30.0%
June 1987 to September 1988		18.7%		50.0%
Percent Down		100.0%		100.0%
Percents Across		83.8%	0.0%	12.5%
Submarket Area 2		Ethnicity		
Date of Occupancy		White	Black	Asian
May 1968 and earlier		1.0%	10.0%	0.0%
June 1968 to May 1978		8.3%	15.0%	0.0%
June 1978 to May 1983		23.7%	15.0%	8.7%
June 1983 to May 1987		40.2%	35.0%	65.2%
June 1987 to September 1988		25.8%	25.0%	28.1%
Percent Down		100.0%	100.0%	100.0%
Percents Across		84.7%	13.3%	15.3%
Submarket Area 3		Ethnicity		
Date of Occupancy		White	Black	Asian
May 1968 and earlier		0.8%	0.0%	0.0%
June 1968 to May 1978		11.8%	0.0%	2.2%
June 1978 to May 1983		17.8%	0.0%	8.9%
June 1983 to May 1987		38.1%	50.0%	44.4%
June 1987 to September 1988		33.0%	50.0%	44.4%
Percent Down		100.0%	100.0%	100.0%
Percents Across		66.0%	2.3%	25.7%
Submarket Area 4		Ethnicity		
Date of Occupancy		White	Black	Asian
May 1968 and earlier		1.9%	25.7%	0.0%
June 1968 to May 1978		13.5%	20.0%	0.0%
June 1978 to May 1983		21.2%	2.9%	10.0%
June 1983 to May 1987		26.8%	28.5%	60.0%
June 1987 to September 1988		34.6%	22.9%	30.0%
Percent Down		100.0%	100.0%	100.0%
Percents Across		46.4%	31.3%	8.9%
Submarket Area 5		Ethnicity		
Date of Occupancy		White	Black	Asian
May 1968 and earlier		0.0%	8.7%	0.0%
June 1968 to May 1978		11.3%	8.7%	0.0%
June 1978 to May 1983		22.5%	21.7%	10.0%
June 1983 to May 1987		36.3%	39.1%	70.0%
June 1987 to September 1988		30.0%	21.7%	20.0%
Percent Down		100.0%	100.0%	100.0%
Percents Across		56.0%	33.3%	7.2%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

than Whites, and the distribution of tenure of Asian respondents shows that almost 90 percent of them moved into their units in the last five years. This matches the apparent trend of an increase in Asian renters since 1980 and the relative youth of this ethnic category. The tenure pattern of Blacks as compared with Whites is especially evident in Submarket Area 4, which has a very high proportion of long-term Black tenants.

Prior Place of Residence. Table 55 shows the distribution of respondents by place of residence prior to occupying their current unit. Citywide, about half of the respondents report that they moved from another location within Berkeley. Another one-fourth came from other locations within the East Bay Area, about ten percent came from other Bay Area locations, and the remainder came from outside the Bay Area. These proportions are very similar to those found by the 1984 Baar-LeGates survey (Table 56).

With a few exceptions these proportions are the same on the submarket area level. The most noteworthy exception is the proportion of respondents moving into South and Central Berkeley from other locations within Berkeley is lower than in the other submarket areas. Submarket Area 3 has the highest ratio of persons incoming from outside the Bay Area; this is probably due to the area's proximity to the University.

Method of Finding a Unit. As indicated in Table 57, over 60 percent of the tenants found their current unit through some informal means, such as referral from the previous tenant, knowing the landlord, or "word of mouth." Some of the "other" responses (e.g., knowing a current tenant), are also in this category of informal networking. Among more formal means of finding a rental residence, rental agencies were the most commonly used, accounting for 13.7 percent of all respondents, while newspaper advertisements and the University were the sources for between 6 and 7 percent each. While using somewhat different categories, the Baar-LeGates survey found similar patterns in 1984 (Table 58).

The proportion of tenants using informal methods is fairly close to 60 percent in every submarket area, although there is some variation within the subgroups of this overall category; in particular, previous tenants seem to be relatively more important as a source of information in Submarket Area 3, and word of mouth is relatively more important in Submarket Area 4. Rental agencies are not utilized as often in Submarket Area 3 as citywide, and the University seems to be placing proportionately more persons in this area and Submarket Area 2 than elsewhere.

Contrary to what might be expected, these informal networks are not the exclusive domain of prior Berkeley residents; respondents whose prior residence was outside of Berkeley used these informal methods as often as did prior residents of Berkeley itself (Table 59). Furthermore, even among respondents coming from outside the Bay Area, the majority used the informal network to find their current residence. Those respondents who previously lived outside the Bay Area also had the highest proportion of those using the University as a means of finding their rental unit, 11.9 percent; oddly enough, prior residents of Berkeley had the next highest proportion using the

Table 55

Distribution of Respondents by Prior Place of Residence

Prior Residence	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Berkeley	51.1%	43.6%	53.2%	50.4%	42.3%	49.1%
Other East Bay	23.9%	33.1%	16.5%	26.3%	31.5%	23.5%
Other Bay Area	9.4%	12.3%	10.1%	13.5%	12.8%	11.1%
Outside Bay Area	15.6%	11.0%	20.2%	9.8%	13.4%	16.3%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 56

Distribution of Respondents by**Prior Place of Residence**

1984 Baar-LeGates Survey

Prior Residence	Citywide
Berkeley	52.6%
Other East Bay	22.7%
Other Bay Area	5.2%
Outside Bay Area	19.6%
% Total	100%

Source: Baar-LeGates, 1984

Table 57

Distribution of Respondents by Method of Finding Current Unit

Method of Finding Unit	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Former Tenant	27.4%	29.6%	36.4%	22.4%	25.7%	31.7%
Knowing the Landlord	16.2%	12.3%	16.0%	12.7%	16.9%	15.3%
Word of Mouth	16.2%	13.0%	13.4%	27.6%	16.2%	14.7%
Newspaper Ad	9.5%	6.8%	4.3%	6.0%	8.8%	6.1%
Rental Agency	14.5%	18.5%	10.7%	17.2%	15.5%	13.7%
Through University	5.6%	7.4%	7.5%	3.0%	4.1%	6.5%
Other	10.6%	12.3%	11.8%	11.2%	12.8%	11.9%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 58

Distribution of Respondents by Method of Finding Current Unit

1984 Baar-LeGates Survey

Method of Finding Unit	Citywide		
	Whites	Blacks	Asians
Friend or Relative	41%	40%	66%
Knowing the Landlord	8%	15%	2%
Sign on Building	6%	9%	5%
Bulletin Board	3%	2%	5%
Newspaper Ad	8%	6%	3%
Rental Agency	16%	10%	5%
U.C. Student Housing	7%	2%	9%
Other	11%	16%	5%
% Total	100%	100%	100%

Source: Baar-LeGates, 1984

Table 59
How Respondent Found Unit by Prior Residence

Method of Finding Unit	Previous Residence			
	Berkeley	Other East Bay	Other Bay Area	Outside Bay Area
From Former Tenant	31.6%	37.3%	27.5%	27.3%
Knowing the Landlord	16.9%	17.2%	9.4%	12.3%
Word of Mouth	14.3%	10.6%	28.3%	11.9%
Newspaper Ad	5.5%	4.0%	6.6%	10.7%
Rental Agency	11.5%	19.0%	10.8%	14.7%
Through University	7.7%	2.6%	2.6%	11.9%
Other	12.4%	9.3%	14.7%	11.2%
Percent Down	100.0%	100.0%	100.0%	100.0%
Percents Across	48.8%	23.5%	11.2%	16.4%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

University, 7.7 percent. Only 2.6 percent of each of the other two groups, those from other East Bay locales and those from other Bay Area locales, report having used University housing services.

Some differences in methods of finding a residence appear when the respondents are broken into age, ethnic, and income categories (Tables 60, 61, and 62). As respondent age increases, former tenants and the University become less important methods of obtaining a rental unit, and word of mouth becomes more important. Among the very oldest age segment, those over 65, knowing the landlord appears to be the most important means of finding a unit. The University appears particularly important as a housing source for tenants between 18 and 24, (i.e., the student-age population), representing the housing resource for 17 percent of these tenants. Among this age group, though, the informal network, especially former tenants, is still more important than the University as a source of information for obtaining rental units.

When ethnic groups are compared as to method of finding their current housing unit, the pattern of high utilization of the informal network holds across the three major ethnic groups, but, as with age, some slight differences in specific methods of finding residences appear. Black respondents are far more likely than Whites or Asians to have known the landlord and less likely to have used a former tenant or the University; Asians are more likely to have known former tenants and less likely to have used rental agencies; and Whites tended to use newspaper advertisements more than Blacks or Asians. The 1984 Baar-LeGates survey found the same pattern with respect to Blacks knowing the landlord and U.C. housing services (see Table 58), but, in contrast to the 1988 BAE survey, found Blacks less likely than Whites to use Rental Agencies. The pattern of Asians being less likely to use rental agencies is also confirmed by the 1984 survey.

The pattern of informal networking being used more often than more formal means also holds when respondents are categorized by income. The most noteworthy variation by income category is the tendency for higher income respondents to use rental agencies as the means of finding a rental unit. This pattern is different than that found by Baar-LeGates in 1984, where there was no difference between income groups in the use of rental agencies.

One additional approach which is sometimes used in Berkeley to obtain a rental unit involves the payment of a finder's fee. While this practice is perhaps perceived to be common, the survey found that citywide only 4 percent of the respondents report paying such a fee (Table 63) with the highest proportion, 5.9 percent, in Submarket Area 3, near the University. This excludes payments made to rental agencies. These results are similar to those found by Baar-LeGates in 1984; they found that virtually all those who reported paying a fee (15 percent of their sample) paid the fee to a rental agency rather than to someone else. Since the proportion of respondents paying this fee was so small, it was not feasible to analyze this subgroup with respect to tenure, income, or other variables, nor was it feasible to use the information collected regarding the amount of the fee in order to derive statistically meaningful averages or distributions. Out of 26 respondents reporting payment of finder's fees citywide, (these results are not done by weighted average), only 11 reported paying more than \$100. Eleven out of the 26 who paid a fee are located in Submarket

Table 60

Method of Finding Unit by Age of Respondent

Citywide *	Age of Respondent				
	18 to 24	25 to 34	35 to 54	55 to 64	65 and up
Former Tenant	37.3%	40.1%	24.4%	21.9%	9.7%
Knowing the Landlord	16.0%	14.3%	12.4%	16.0%	36.3%
Word of Mouth	10.2%	12.1%	16.9%	23.5%	17.4%
Newspaper Ad	1.4%	3.0%	11.4%	6.1%	13.7%
Rental Agency	10.3%	14.4%	15.2%	19.2%	8.6%
Through University	17.1%	5.8%	3.2%	2.7%	0.0%
Other	7.7%	10.4%	16.5%	10.6%	14.3%
Percent Down	100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across	18.3%	38.4%	33.2%	4.7%	5.4%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 61

Method of Finding Unit by Ethnicity of Respondent

Citywide *	Race or ethnicity		
	White	Black	Asian
Former Tenant	30.5%	15.3%	41.6%
Knowing the Landlord	13.8%	26.5%	15.1%
Word of Mouth	12.5%	17.5%	21.9%
Newspaper Ad	8.1%	2.8%	1.6%
Rental Agency	15.6%	16.7%	7.5%
Through University	6.2%	2.5%	7.9%
Other	13.3%	18.7%	4.4%
Percent Down	100.0%	100.0%	100.0%
Percents Across	65.9%	11.2%	18.5%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 62

Method of Finding Unit by Household Income

Citywide *	Income					
	Less than \$10,000	\$10,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 and higher
Former Tenant	31.8%	30.8%	29.7%	33.2%	32.9%	28.6%
Knowing the Landlord	17.5%	18.4%	13.1%	14.9%	12.1%	3.6%
Word of Mouth	17.6%	17.0%	13.1%	9.6%	17.2%	9.8%
Newspaper Ad	2.6%	7.5%	7.1%	7.2%	0.9%	14.1%
Rental Agency	9.4%	7.5%	20.3%	14.9%	28.1%	33.2%
Through University	8.3%	7.5%	3.5%	5.4%	7.8%	2.3%
Other	12.9%	11.2%	13.3%	14.8%	0.9%	8.4%
Percent Down	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across	28.2%	27.5%	21.6%	12.8%	5.9%	4.0%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 63

Distribution of Respondents by Payment of Finder's Fee

Did Respondent Pay Fee to Find Current Unit?	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	96.7%	98.8%	94.1%	98.5%	97.2%	96.0%
Yes	3.3%	1.2%	5.9%	1.5%	2.8%	4.0%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Area 3, and 7 of the 11 did pay over \$100, so there may be more of a premium placed on finding a unit in the University area.

Summary of Tenant Mobility Characteristics. The survey thus shows that while there appears to have been some decline, tenant mobility in the Berkeley rent-controlled housing market is still quite high, especially among younger tenants. Informal connections seems to be the most-utilized method for finding a unit, and this network appears open even to newcomers to Berkeley. Other methods are also utilized, but very few tenants report payment of a large finder's fee in order to obtain their unit.

TENANT PERCEPTIONS OF BUILDING AND UNIT CONDITION

One of the goals of the Berkeley Rent Stabilization Ordinance is to maintain decent quality housing for renters. Some critics maintain that by restricting income to property owners, rent control provides a disincentive to maintain rental properties. This study addresses this issue through the collection of data regarding tenant perception of the conditions in their residences, and changes in those conditions. Although this does not directly answer questions about the effects of rent control on the quality of the rent-controlled housing stock, it does give a picture of the state of that housing stock from the viewpoint of the tenants. By providing a benchmark against which future tenant assessments of their living quarters can be measured, the survey responses here may be used at some date to ascertain future trends in the condition of the rent-controlled housing stock. The survey asked tenants questions regarding the current condition of both their building and unit, changes in the condition of their building, and problems with a list of specific items, including heat, security, paint, and other maintenance-related areas.

Building Condition. As Table 64 shows, the responses to the question regarding building condition tend to cluster in the two middle condition categories (good and fair); over 70 percent of the respondents citywide rate their building condition as either fair or good. Respondents in Submarket Area 1 are more positive than those in the other submarket areas about their building condition, with only 7.8 percent of them rating it as poor. Submarket Areas 4 and 5 have the highest proportions of those rating their building condition as poor, with roughly 20 percent of those in each area rating their buildings in that category.

Citywide, rent levels do not appear to be a factor in tenant perception of building condition (see Table 65). However, this lack of relationship does not hold at the submarket area level. In Submarket Areas 1 and 5 the proportion of respondents paying rents of less than \$300 who rate their building condition as fair or poor is considerably higher than the same proportion of those with gross rents of \$300 or more. Submarket Area 4 shows the same lack of relationship between rents and perceived building condition as do the citywide results. Submarket Areas 2 and 3, though, show the reverse of the expected relationship. In these two submarket areas, there is an inverse relationship between rents and building condition (higher rents are associated with worse

Table 64
Distribution of Units by Building Condition

Building Condition	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Excellent	12.8%	9.8%	8.5%	8.7%	4.0%	8.4%
Good	47.2%	37.4%	33.5%	30.4%	34.2%	35.6%
Fair	32.2%	41.1%	41.0%	39.9%	42.3%	40.3%
Poor	7.8%	11.7%	17.0%	21.0%	19.5%	15.7%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 65 Building Condition by Gross Rent			
Building Condition	Gross Rent		
	Less than \$300	\$300 or More	
Excellent or Good	42.5%	44.2%	
Fair or Poor	57.5%	55.8%	
Percent Down	100.0%	100.0%	
Percents Across	22.9%	77.1%	

Submarket Area 1			
Building Condition	Gross Rent		
	Less than \$300	\$300 or More	
Excellent or Good	39.1%	63.2%	
Fair or Poor	60.9%	36.8%	
Percent Down	100.0%	100.0%	
Percents Across	14.5%	85.5%	

Submarket Area 2			
Building Condition	Gross Rent		
	Less than \$300	\$300 or More	
Excellent or Good	54.3%	45.1%	
Fair or Poor	45.7%	54.9%	
Percent Down	100.0%	100.0%	
Percents Across	23.8%	76.4%	

Submarket Area 3			
Building Condition	Gross Rent		
	Less than \$300	\$300 or More	
Excellent or Good	48.4%	40.8%	
Fair or Poor	51.6%	59.4%	
Percent Down	100.0%	100.0%	
Percents Across	17.8%	82.2%	

Submarket Area 4			
Building Condition	Gross Rent		
	Less than \$300	\$300 or More	
Excellent or Good	38.3%	42.6%	
Fair or Poor	61.7%	57.4%	
Percent Down	100.0%	100.0%	
Percents Across	43.5%	56.5%	

Submarket Area 5			
Building Condition	Gross Rent		
	Less than \$300	\$300 or More	
Excellent or Good	27.7%	42.4%	
Fair or Poor	72.3%	57.6%	
Percent Down	100.0%	100.0%	
Percents Across	35.8%	64.4%	

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988.

building conditions, and lower rents are associated with better building conditions). The reasons for the inconsistencies in the relationship between rent and income by submarket area are not discernible from the analysis of this survey.

Size of and type of building have very little relationship with perceived building condition (Table 66). Respondents in houses are slightly more likely than those in apartments to rate their building condition as excellent, and conversely, are less likely to rate their building condition as poor, and respondents in small apartment buildings are slightly more likely than tenants in larger buildings to rate their building condition as excellent. However, these relationships are not very strong.

Comparison of the set of buildings with either a manager or an owner living in the building to those without either residing on premises shows little difference with respect to respondents' rating of building condition (Table 67). Respondents in buildings with owners only residing on the premises, however, rate their building condition slightly higher than those respondents whose owners are not living in the building (Table 68). This trend is most pronounced in Submarket Area 3. These conclusions, though, are based on a relatively small proportion of properties having an owner on site (10 percent citywide).

Table 69 shows the distribution of perceived building condition as broken out by length of tenure of respondent. In general, the distribution of building condition for each group follows the pattern of the whole sample not broken into these categories; most respondents rate their building condition as fair or good. As tenure decreases (the respondent reports moving in more recently), there is a slight increase in the proportion of those reporting building condition as excellent or poor, but the majority of respondents in every category still report their building condition as either fair or good.

Unit Condition. Table 70 shows that the distribution of respondent rating of the condition of their unit is roughly the same as that for condition of their building. There is a slight upward shift in perceptions, but over 70 percent of the respondents citywide and in each submarket area rate their unit condition as fair or good.

Specific Problems in Building or Unit. The survey also questions respondents regarding problems with specific aspects of their building and unit. The items listed are heat, plumbing, doors or windows, roof, stairs or porches, security or lighting, mildew, paint, appliances, and pest control. As shown in Table 71, over three-fourths of the tenants citywide and in each submarket area have had a problem with one or more of the items listed. The most common problems mentioned citywide (also the only ones mentioned by more than a third of the respondents) are paint, doors or windows, plumbing, and mildew. In general, the proportions regarding specific problems are the same across all submarket areas (Table 72). Security and lighting seem to be a greater concern in Submarket Area 3, which may be related to the larger size of its buildings, and paint and pest control appear to be greater problems in Submarket Area 4 than on average citywide.

Table 66 Building Condition by Building Size & Type									
Citywide *	Building Condition	House	Apartments						
			Building Size		1 Unit	2 Units	3 to 4 Units	5 to 9 Units	10 to 24 Units
Excellent		16.1%		9.1%	13.6%	6.6%	6.2%	8.2%	2.7%
Good		37.4%		52.1%	34.2%	34.8%	39.8%	37.4%	30.5%
Fair		36.2%		24.5%	37.1%	47.2%	37.6%	39.7%	46.8%
Poor		10.3%		14.3%	15.1%	11.4%	16.4%	14.7%	19.9%
Percent Down		100.0%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across		9.2%		1.8%	10.3%	17.3%	20.7%	30.2%	10.4%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 67 Building Condition by Owner or Manager Living in Building			
Citywide *	Owner or Manager		
	not on Premises	on Premises	
Excellent	8.9%	5.4%	
Good	33.4%	36.2%	
Fair	42.8%	38.9%	
Poor	14.9%	19.5%	
Percent Down	100.0%	100.0%	
Percents Across	62.9%	37.1%	

Submarket Area 1			
Building Condition	Owner or Manager		
	not on Premises	on Premises	
Excellent	12.9%	3.7%	
Good	48.3%	55.6%	
Fair	31.9%	37.0%	
Poor	6.8%	3.7%	
Percent Down	100.0%	100.0%	
Percents Across	81.1%	18.9%	

Submarket Area 2			
Building Condition	Owner or Manager		
	not on Premises	on Premises	
Excellent	12.0%	4.8%	
Good	35.0%	42.8%	
Fair	42.0%	40.5%	
Poor	11.0%	11.8%	
Percent Down	100.0%	100.0%	
Percents Across	70.4%	29.6%	

Submarket Area 3			
Building Condition	Owner or Manager		
	not on Premises	on Premises	
Excellent	9.1%	5.8%	
Good	31.2%	32.6%	
Fair	45.5%	39.3%	
Poor	14.3%	22.5%	
Percent Down	100.0%	100.0%	
Percents Across	46.4%	53.6%	

Submarket Area 4			
Building Condition	Owner or Manager		
	not on Premises	on Premises	
Excellent	8.0%	14.3%	
Good	25.9%	42.9%	
Fair	43.8%	42.9%	
Poor	22.3%	0.0%	
Percent Down	100.0%	100.0%	
Percents Across	94.1%	5.9%	

Submarket Area 5			
Building Condition	Owner or Manager		
	not on Premises	on Premises	
Excellent	3.9%	4.8%	
Good	28.4%	42.9%	
Fair	45.1%	33.3%	
Poor	21.6%	19.0%	
Percent Down	100.0%	100.0%	
Percents Across	82.9%	17.1%	

Table 68 Building Condition by Owner Living in the Building			
Citywide *	Owner		
	not on Premises	on Premises	
Excellent	7.3%	20.2%	
Good	34.9%	38.6%	
Fair	41.3%	30.8%	
Poor	16.6%	10.3%	
Percent Down	100.0%	100.0%	
Percents Across	90.0%	10.0%	

Submarket Area 1			
Building Condition	Owner		
	not on Premises	on Premises	
Excellent	11.5%	21.4%	
Good	50.0%	32.1%	
Fair	31.1%	35.7%	
Poor	7.4%	10.7%	
Percent Down	100.0%	100.0%	
Percents Across	84.1%	15.9%	

Submarket Area 2			
Building Condition	Owner		
	not on Premises	on Premises	
Excellent	9.8%	14.3%	
Good	38.4%	28.6%	
Fair	41.1%	35.7%	
Poor	11.0%	21.4%	
Percent Down	100.0%	100.0%	
Percents Across	91.3%	8.8%	

Submarket Area 3			
Building Condition	Owner		
	not on Premises	on Premises	
Excellent	6.8%	29.4%	
Good	31.9%	41.2%	
Fair	42.8%	23.5%	
Poor	18.7%	5.9%	
Percent Down	100.0%	100.0%	
Percents Across	90.7%	9.3%	

Submarket Area 4			
Building Condition	Owner		
	not on Premises	on Premises	
Excellent	9.2%	0.0%	
Good	27.7%	65.7%	
Fair	41.5%	14.3%	
Poor	21.5%	0.0%	
Percent Down	100.0%	100.0%	
Percents Across	94.9%	5.1%	

Submarket Area 5			
Building Condition	Owner		
	not on Premises	on Premises	
Excellent	3.8%	5.9%	
Good	23.3%	41.2%	
Fair	42.4%	41.2%	
Poor	20.5%	11.8%	
Percent Down	100.0%	100.0%	
Percents Across	88.6%	11.4%	

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 69
Building Condition by Tenure of Respondent

Citywide *	Date of Occupancy				
	May 1968 and earlier	June 1968 to May 1978	June 1978 to May 1983	June 1983 to May 1987	June 1987 to Sept. 1988
Excellent	10.1%	2.0%	4.3%	9.1%	12.6%
Good	25.0%	35.6%	43.3%	29.7%	38.5%
Fair	58.9%	52.6%	43.0%	43.2%	29.9%
Poor	5.9%	9.8%	9.4%	18.0%	19.0%
Percent Down	100.0%	100.0%	100.0%	100.0%	100.0%
Percents Across	1.8%	9.3%	18.5%	40.3%	30.1%

* Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

Table 70
Distribution of Units by Unit Condition

Unit Condition	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Excellent	13.9%	11.0%	11.8%	7.4%	3.4%	10.2%
Good	51.7%	40.5%	39.2%	33.3%	44.5%	41.3%
Fair	27.8%	36.2%	37.1%	43.0%	41.8%	37.1%
Poor	6.7%	12.3%	11.8%	16.3%	10.3%	11.3%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 71
Distribution of Units by Having One or Problems with the Unit or Building

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No Problem	23.4%	21.8%	16.4%	23.9%	20.0%	19.1%
One or More Problems	76.6%	78.2%	83.6%	76.1%	80.0%	80.9%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 72
Distribution of Responses to Survey Question 11:
Are there problems within your building with any of the following?

100

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	78.5%	80.2%	75.9%	81.2%	79.9%	77.9%
Yes	21.5%	19.8%	24.1%	18.8%	20.1%	22.1%
% Total by Area	100%	100%	100%	100%	100%	100%
Plumbing						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	61.9%	61.7%	58.2%	66.4%	56.5%	58.3%
Yes	38.1%	38.3%	41.8%	33.6%	43.5%	40.7%
% Total by Area	100%	100%	100%	100%	100%	100%
Doors / Windows						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	59.8%	62.5%	58.1%	55.8%	54.5%	58.4%
Yes	40.2%	37.5%	41.9%	44.4%	45.5%	41.6%
% Total by Area	100%	100%	100%	100%	100%	100%
Roof						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	64.9%	62.6%	77.2%	82.2%	76.2%	78.0%
Yes	15.1%	17.4%	22.8%	17.8%	23.8%	21.0%
% Total by Area	100%	100%	100%	100%	100%	100%
Stairs / Porches						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	81.3%	85.7%	83.2%	84.8%	77.4%	82.5%
Yes	18.7%	14.3%	16.8%	15.2%	22.6%	17.5%
% Total by Area	100%	100%	100%	100%	100%	100%
Security / Lighting						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	78.5%	74.5%	82.0%	74.2%	71.2%	88.0%
Yes	23.2%	25.5%	38.0%	25.8%	28.8%	32.0%
% Total by Area	100%	100%	100%	100%	100%	100%
Mildew						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	69.5%	60.8%	66.5%	58.2%	61.1%	64.3%
Yes	30.5%	39.1%	33.5%	43.8%	38.9%	35.7%
% Total by Area	100%	100%	100%	100%	100%	100%
Paint						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	55.5%	58.3%	50.5%	45.5%	50.0%	52.4%
Yes	44.5%	40.7%	49.5%	54.5%	50.0%	47.6%
% Total by Area	100%	100%	100%	100%	100%	100%
Appliances						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	77.0%	70.0%	72.4%	75.8%	77.2%	73.4%
Yes	23.0%	30.0%	27.6%	24.2%	22.8%	26.6%
% Total by Area	100%	100%	100%	100%	100%	100%
Pest Control						
	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	79.6%	78.5%	73.3%	80.8%	74.1%	74.1%
Yes	20.2%	23.5%	26.7%	19.4%	25.9%	25.9%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1986

Changes in Building Condition. As shown in Table 73, over one-half the respondents citywide feel their building condition has stayed the same since they moved in. The percentage reporting a decline in condition (23 percent) is slightly larger than the percentage reporting an improvement (17 percent). The same general pattern holds in each submarket area, with the exception of Submarket Area 2, where only 19 percent report a decline and 24 percent report an improvement.

In order to get a more meaningful picture of the perception of change in building condition, and thus of the general perception of change in the rent-controlled housing stock through time, it is necessary to control for the length of tenure of the respondents. Assuming a constant rate of change in building condition, a longer-term tenant would be more likely to perceive that change. Table 74 shows the distribution of responses regarding changes in building condition categorized by length of tenure. In fact, longer-tenure respondents are more likely to have perceived a change in their building condition since they moved into their unit. About 46 percent of respondents living in their units 20 years or more report no change; the percentage of those reporting no change in building condition increases as tenure of the respondent decreases, ending up at 75 percent for respondents living in their units 15 months or less. Furthermore, among tenants moving into their unit in the last 15 months, a higher percentage believe their unit has changed for the better than changed for the worse, while among longer-term tenants this pattern is reversed. The percentage of respondents reporting an improvement in building condition is between 15 and 20 percent among all respondent tenure categories, but the percentage perceiving a decline increases with tenure. Only 8 percent of the respondents who have lived in their units 15 months or less perceive a worsening in building condition; this percentage rises to almost 39 percent among those in their units 20 years or more. This indicates that there may be a long-term decline in the overall condition of the rent-controlled housing stock, or that long-term tenants have a different perspective on their unit.

Summary of Perceptions of Building and Unit Condition. The tenant perception of Berkeley rent-controlled housing which emerges from this analysis is one of generally mid-quality housing. Some tenants feel their own housing is poor, some feel it is excellent, but most rate it somewhere in between. A large majority of the respondents report some kind of problem with their unit or building, with minor maintenance-related items being the source of the most problems. When length of tenure is taken into consideration, it appears that over the long term the overall quality of more structures is declining than improving. Problems with routine maintenance items and long-term decline in building condition together may be indicators of deferred maintenance on the part of some landlords. The mixed relationships shown between perceived building condition and rent indicate, though, that maintenance levels are not necessarily related to the rental income generated by the property.

Table 73

Distribution of Units by Change in Building Condition

Building Condition	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Better	17.7%	24.2%	13.4%	21.7%	18.8%	17.2%
Same	60.8%	56.5%	62.6%	50.7%	54.9%	59.3%
Worse	21.5%	19.3%	24.1%	27.5%	26.4%	23.4%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 74

Change in Building Condition by Tenure of Respondent

Citywide *	Date of Occupancy			
	May 1978 and earlier	June 1978 to May 1984	June 1983 to May 1987	June 1987 to Sept. 1988
Better	15.6%	17.5%	19.6%	16.4%
Same	45.7%	54.6%	53.6%	75.2%
Worse	38.8%	27.9%	26.8%	8.4%
Percent Down	100.0%	100.0%	100.0%	100.0%
Percents Across	10.9%	18.6%	40.7%	29.9%

*Citywide percentages are weighted based on the total number of rent-controlled units in each submarket area.

Source: Bay Area Economics, 1988

LANDLORD-TENANT RELATIONS

One aspect of a tenant's living situation is his or her relationship with the property owner and manager. Poor relations with an owner or manager may indicate problems with the property itself, or may lead to a request from the landlord or manager for a tenant to vacate a unit. This request may take the form of an informal request to move, or may take the form of a legal or illegal eviction. The Rent Stabilization Ordinance and Regulations tightly restrict the number of reasons for which a landlord can legally evict a tenant and limit harassment by owners or managers of tenants who are exercising their legal rights under the Ordinance. This survey requested information from the respondents regarding their relationships with their landlords and building managers, and also inquired regarding the reasons for disputes. Respondents were also asked a series of questions regarding evictions or other requests to move.

Relationship with Building Owner. Forty-four percent of the respondents citywide describe their relationship with the owner of their rental unit as good (see Table 75). About one-fourth of the respondents rate this relationship as fair, 7 percent rate the relationship as poor, and the remainder (over one-fourth) state that they have no relationship at all with their building owner. These proportions vary widely by submarket area. Most noteworthy are the high proportion of tenants with a good relationship with their landlord in Submarket Area 1 (63.3 percent), and the high proportion in Submarket Area 3 reporting no relationship (40 percent, over twice that of any other submarket area). This proportion reporting no relationship in Submarket Area 3 is probably related to the high percentages of large buildings with management other than the owner; tenants in this area are less likely to have personal contact with the owner of their unit.

Relationship with Building Manager. Among those respondents reporting a manager for their building, over one-half citywide claim to have a good relationship with their manager (Table 76). Slightly over one-fourth report a fair relationship with their manager, only about 4 percent report a poor relationship with their manager, and about one-eighth report no relationship at all with their manager. The small number of respondents in each category for this variable prohibits analysis of variation in this relationship on a submarket area level.

Reasons for Landlord-Tenant Disputes. Fewer than half the respondents citywide (46.6 percent) report some kind of dispute with their landlord or manager (Table 77). Submarket Area 1 has the lowest proportion of those having had a dispute (36.4 percent); Submarket Area 3 has the highest proportion (51.3 percent). The reasons for disputes listed in the survey are rent, maintenance or repairs, another tenant, being asked or told to move, security or safety, parking, and other. Being mentioned more than twice as often as a reason for dispute as any other reason, the most common reason given for dispute is maintenance or repairs, with one-third of the respondents citywide reporting these as a cause for dispute.

Table 75**Distribution of Units by Respondent Relationship with Building Owner**

Relationship with Owner	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Good	63.3%	49.4%	34.8%	53.5%	47.9%	43.5%
Fair	19.8%	27.8%	18.5%	19.7%	28.2%	22.2%
Poor	5.6%	6.3%	6.5%	8.7%	7.0%	6.6%
None	11.3%	16.5%	40.2%	18.1%	16.9%	27.8%
% Total by Area	100%	100%	100%	100%	100%	100%

Note: Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 76**Distribution of Units by Respondent Relationship with Building Manager**

Respondents Reporting Managers

Relationship with Manager	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Good	17.6%	17.5%	12.0%	19.4%	5.0%	12.7%
Fair	64.7%	47.4%	55.6%	52.8%	60.0%	55.5%
Poor	13.7%	28.1%	29.3%	22.2%	32.5%	27.8%
None	3.9%	7.0%	3.0%	5.6%	2.5%	3.9%
% of Total by Area	100%	100%	100%	100%	100%	100%
Number of Responses	51	57	133	36	40	

Note: Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 77

**Distribution of Units by Respondent Dispute with Landlord or Manager
Regarding Disputes Over Listed Items**

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No Disputes	63.6%	56.4%	48.7%	54.3%	57.3%	53.4%
One or More Disputes	36.4%	43.6%	51.3%	45.7%	42.7%	46.6%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Experience with Evictions and Other Requests to Move. Tenants are often not well-informed about their legal rights when they are asked to vacate a rental unit, so are unable to distinguish between legal evictions and other requests from landlords or managers to move. In order to gauge the full extent of the eviction issue and to prevent confusion on the part of respondents, the survey did not ask specifically if respondents had been evicted, but only if they were ever asked to move from a rental unit in Berkeley (not necessarily their current unit) by a landlord or manager. If they answered yes, they were then asked if they had actually moved and the reasons given for being asked to move. The objective in asking these questions was to get an idea of the proportion of tenants who have had to deal with evictions directly, and also the relative number of legal versus illegal evictions. Indirectly, this might give some information regarding landlord compliance with the eviction sections of the Rent Stabilization Ordinance, and also of the level of tenant awareness of their rights under the Ordinance.

As shown in Table 78, about one-eighth (12.6 percent) of the respondents citywide state that at some time they have been asked by a landlord or manager to move out of a rental unit in Berkeley. This proportion ranges from 9.6 percent in Submarket Area 3 to 19.5 percent in Submarket Area 5. Among those asked to move, less than half citywide (45.2 percent) actually ended up moving. Of those who moved, the most common reason given is that the owner wanted the unit for his or her personal use or the use of a relative. Many other reasons, including both legal (such as non-payment of rent) and illegal, are also mentioned. However, the sample of tenants giving reasons for being asked to move is so small that no inferences can be drawn regarding the proportions of illegal evictions in Berkeley. It is also not possible to determine from the survey that legitimate procedures were followed even in the cases of eviction for good cause.

Summary of Landlord-Tenant Relations. In general, tenants in rent-controlled units in Berkeley appear to have fairly good relationships with their landlords and managers. Given that over three-fourths of the respondents report some kind of maintenance or repair problem with their building, it is not surprising that the most common cause of disputes is maintenance or repairs. Only a small percentage of tenants have ever been asked to move from a unit in Berkeley by a landlord or manager, and less than half of those eventually moved because of the request to move.

Table 78

Distribution of Responses to Eviction-Related Questions

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	89.0%	86.0%	90.4%	84.1%	80.5%	87.4%
Yes	11.0%	14.0%	9.6%	15.9%	19.5%	12.6%
% Total by Area	100%	100%	100%	100%	100%	100%
Number of Responses	19	24	18	21	28	

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
No	52.6%	45.8%	61.1%	61.9%	46.4%	54.8%
Yes	47.4%	54.2%	38.9%	38.1%	53.6%	45.2%
% Total by Area	100%	100%	100%	100%	100%	100%
Number of Responses	19	24	18	21	28	

	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Owner wanted unit for personal use	66.7%	53.8%	0.0%	30.0%	44.4%	26.0%
Other reasons	33.3%	46.2%	100.0%	70.0%	55.6%	74.0%
% Total by Area	100%	100%	100%	100%	100%	100%
Number of Responses	12	13	7	10	18	

* Citywide Average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

TENANT PERCEPTIONS OF RENT CONTROL

The survey asked tenants three questions regarding their opinion of the effectiveness of rent control in Berkeley: how successful they believe the Ordinance has been in preventing unfair rent increases; how successful the Ordinance has been in preventing unfair evictions; and how effective the Ordinance has been in providing housing for special groups such as low and fixed income persons, minorities, students, the disabled, and the elderly.

Success of Ordinance in Preventing Unfair Rent Increases. Table 79 shows that about half the respondents citywide feel that rent control is very successful in preventing unfair rent increases, and another 35 percent feel it is somewhat successful. Only about seven percent of the respondents feel that the Ordinance is not very successful or completely unsuccessful in achieving this goal. Eight percent report having no opinion. These percentages are very consistent across all submarket areas.

Success of Ordinance in Preventing Unfair Evictions. The response distribution is similar for the question regarding how successful the respondents feel the Ordinance is in preventing unfair evictions (Table 80). About 40 percent of the respondents feel the Ordinance is completely successful in this area, another 28 percent feel it is somewhat successful, and less than 5 percent feel the Ordinance is not very successful or completely unsuccessful. Over one-fourth of the respondents report having no opinion on this question; this is probably a result of the fact that few tenants have had personal experience with eviction. The citywide pattern holds in all submarket areas.

Success of Ordinance in Protecting Special Groups. There is a slightly lower level of satisfaction with the Ordinance with respect to its success in keeping special groups in Berkeley (Table 81). Slightly less than 30 percent of the respondents feel the law is very successful in this area, another 34 percent feel it is somewhat successful, and 26 percent feel that it is either not very successful or completely unsuccessful. Eleven percent of the respondents have no opinion on this question. For the most part, the percentages are the same in all submarket areas, but there is more variation between areas for this question than for the other two regarding respondent perceptions of rent control.

Variation Among Berkeley Residents in Perceptions of Rent Control. Some subgroup analysis has been done in order to determine if there is variation between ethnic groups, income groups, and household types in their opinions regarding the success of the ordinance. While there is some variation between groups, there is a high degree of satisfaction with these aspects of the ordinance across all ethnic, groups, income categories, and household types. The crosstabulations relating these subgroup analyses are presented in the Appendices.

Table 79

**Distribution within Submarket Areas of Responses to Survey Question 1:
How successful do you think the rent and eviction control law has been in
preventing unfair rent increases?**

Response	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Very successful	52.8%	54.1%	50.8%	47.8%	46.2%	50.7%
Somewhat successful	34.1%	32.7%	34.1%	31.3%	40.0%	34.7%
Not very successful	3.4%	4.4%	7.0%	8.2%	2.8%	5.5%
Completely unsuccessful	1.7%	0.6%	1.1%	0.7%	0.7%	1.0%
No opinion	8.0%	8.2%	7.0%	11.9%	10.3%	8.1%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of
rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 80

**Distribution within Submarket Areas of Responses to Survey Question 2:
How successful do you think the rent and eviction control law has been in
preventing unfair evictions?**

Response	Submarket Area					Citywide *
	One	Two	Three	Four	Five	
Very successful	36.7%	44.3%	38.6%	40.3%	41.0%	40.0%
Somewhat successful	31.1%	20.9%	28.8%	30.6%	31.3%	28.0%
Not very successful	2.3%	3.8%	5.4%	4.5%	3.5%	4.4%
Completely unsuccessful	1.1%	0.0%	0.5%	0.7%	0.0%	0.4%
No opinion	28.8%	31.0%	26.6%	23.9%	24.3%	27.2%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of
rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Table 81

**Distribution within Submarket Areas of Responses to Survey Question 3:
How successful do you think the law has been in maintaining affordable housing
for low & fixed income people, minorities, students, the disabled and the elderly?**

Response	Submarket Area					Citywide *
	1	2	3	4	5	
Very successful	23.2%	32.1%	28.8%	30.1%	28.0%	28.8%
Somewhat successful	37.3%	31.4%	33.2%	40.6%	37.1%	34.2%
Not very successful	26.0%	21.8%	21.7%	12.8%	18.2%	21.1%
Completely unsuccessful	6.2%	1.3%	7.6%	3.8%	2.8%	5.2%
No opinion	7.3%	13.5%	8.7%	12.8%	14.0%	10.6%
% Total by Area	100%	100%	100%	100%	100%	100%

* Citywide average is a weighted mean based on the total number of rent-controlled units per submarket area.

Source: Bay Area Economics, 1988

Summary of Perceptions of Rent Control. Overall, respondents believe that the Ordinance has been successful in meeting some of its primary objectives. The support appears very broad, across tenants in all areas of Berkeley and in all ethnic groups, income groups, and household types.

GLOSSARY OF TERMS

GLOSSARY OF TERMS

After-Tax Cash Flow - The actual cash remaining from operations (and sale at end of period) of an income-producing real estate asset after payment of taxes or credit for tax savings from tax-deductible items. Calculated by subtracting interest payment on debt and depreciation from before tax cash flow, yielding tax or tax savings. The tax or tax savings is subtracted from before-tax cash flow to derive after-tax cash flow. Typically calculated on an annual basis for the holding period of the investment. Proceeds from sale of property at end of period are also included on an after-tax basis.

AGA -Annual General Adjustment process through which the Berkeley Rent Stabilization Board determines the annual allowable increase in rents.

Before-Tax Cash Flow - The actual cash remaining from operations and sale of a real estate asset before calculation of tax or tax savings. Calculated by subtracting debt service from net operating income.

Contract Rent - The rent amount paid by a tenant as specified on the lease or rental agreement (contract). Does not include additional charges which may be incurred for items such as parking and utilities.

Debt Service - The payment made to a financial institution for a loan on real estate. Debt service usually includes payment of both principal and interest on the loan amount.

Depreciated Replacement Cost - A real estate appraisal term describing one method of valuing property. Based on estimating replacement cost for similar structure, including land. Gross amount is depreciated for age of subject structure and other factors.

Depreciation - The decline in real estate value due to aging of buildings, wear and tear, and other factors. In financial terms, depreciation is an annual non-cash deduction allowed to calculate income tax from real estate investments.

Equity -The amount of cash invested by a real estate buyer at the time of purchase. Typical transactions involve both equity and debt to pay for acquisition of a building.

Expense Ratio -The ratio of expenses to gross rental income for a real estate asset. Used to describe relationship between income and expenses. Can indicate relative high or low income levels, and/or high or low expense levels.

Gross Rent - The total of payments made for rental shelter. Can include payments for contract rent, utilities, and amenities such as parking.

Gross Rent Multiplier - A factor used to value property. The gross rent multiplier is the number by which annual gross rent from an income-producing real estate asset is multiplied to equal value.

Historically Low Rents - Concept that certain units in Berkeley's rent-controlled housing stock have current rents below what they should be, due to the implementation of the rent control process in 1980, which froze rents at their then-current levels. If a unit had below market rate rents in 1980, it was frozen at the below market level, and has historically continued to lag behind comparable units which were at market rate in 1980.

IRA -Individual Rent Adjustment process that can be initiated by either a landlord or a tenant to increase or decrease rents due to specific conditions.

Mean -The arithmetic average of a set of data expressed in numbers. Calculated by dividing total amount of all cases in a data set by the number of cases.

Mobility - The ability of a tenant to move from one rental unit to another. In this study, refers to the ease or difficulty of finding an available rental unit.

NOI - The net operating income remaining from operation of an income-producing real estate asset. Calculated as gross rents less vacancy allowance less operating expenses. Operating expenses can include sinking fund for capital improvements.

Property Appreciations - The typical real estate asset increases in value over time, due to the non-replaceable aspect of every real estate location and other factors. Appreciation of real estate generally exceeds inflation rates for the overall economy.

Rate of Return - The amount of money returned to the investor beyond his investment in a real estate asset. Can be calculated in a variety of ways.

Rent Burden - The relationship of rent to household income. Calculated by dividing total annual gross rent, including payments for utilities and amenities, by total household income.

Tenure - Length of time which a tenant occupies a rental unit.

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